



**2011 ANNUAL REPORT
TO SHAREHOLDERS**

For Fiscal Year Ended August 31, 2011

LETTER FROM THE PRESIDENT

Dear Shareholders:

2011 has been a transformative year for Texas Rare Earth Resources; one in which we have made considerable progress in creating a viable exploration and development company focused on advancing the exploration and resource definition efforts at our unique, heavy rare earth Round Top Project.

Critical Applications and Growing Demand

Rare earths are used in most sectors of the global economy today, including automotive, aerospace, computers, smart phones, energy, lighting, telecommunications and medicine. In fact, rare earths have become critical for many strategic military applications, and for the alternative energy industry in the development of hybrid vehicles, wind turbines and solar panels. According to the U.S. Department of Energy, demand for rare earths have increased nearly 60% since 2003, fueled by critical industrial requirements, and is projected to double in the next ten years.

Texas Rare Earth's Strategy Prioritizing Focus on Critical Heavy Rare Earth Elements

Our Round Top heavy rare earths project is located 85 miles east of El Paso, Texas, and encompasses four mountains, including Round Top, Little Round Top, Sierra Blanca and Little Blanca. Currently, our primary focus is exploring and developing Round Top Mountain, a large bulk tonnage prospect. Independently published data indicates Round Top Mountain may contain over one billion metric tons of Rhyolite host rock containing rare earth minerals with a potential 70% ratio of heavy to total rare earth minerals.

We believe Texas is a prime location for mining, with a favorable pro-resource regulatory environment and a temperate climate that enables year-round drilling and construction. A key economic driver for this project is the significant infrastructure that is in place only a few miles away, including Interstate 10, a major railroad line, a gas transmission line and access to water. Although Round Top is considered a low grade deposit, we believe given the location, tonnage, ease of surface mining, and anticipated favorable metallurgical processing methods, the project will be competitive in terms of production costs. The large potential tonnage also indicates a mine life in excess of 20 years. Initially, our focus will be on producing the five most critical rare earth elements as identified by the U.S. Departments of Energy and Defense: Dysprosium, Europium, Neodymium, Terbium and Yttrium.

2011 Highlights

During 2011, we significantly strengthened the Company's management and governance, including the appointment of three new directors, my appointment as CEO, and the addition of Anthony Garcia, who joined the Company as Senior Vice President of Project Development and Engineering. The Company's management team has in excess of 100 years of combined mining experience, leveraging extensive metallurgy and project development expertise.

Below are some of our key accomplishments of the past year.

Round Top Project - Potential to be a Leading U.S. Based Supply of Critical Rare Earth Elements:

- **Historic samples, aeromagnetic and gravimetric survey and drilling program:**
 - The Company re-logged historic drill holes and re-assayed 535 drill samples pulled from historic drilling activity on the site in the late 1980's. The results consistently confirmed the uniform presence and distribution of heavy rare earth elements.
 - The aeromagnetic and gravimetric surveys of approximately 600 kilometers successfully mapped the Rhyolite dome complexes containing the rare earth elements while also identifying a broader area of Rhyolite structure for further exploration.
 - As of December 20, 2011, the Company drilled 60 holes for a total of approximately 24,000 drill feet, and received approval from the Texas General Land Office in early November for the expansion of its exploration activities. The expanded plan currently includes an additional 30 drill holes and four diamond core holes for an estimated footage of 15,000 feet. The core hole drill rig is expected to be on site in the first calendar quarter of 2012.

- **Mineralogy and metallurgical testing:**

- Phase I of the metallurgical testing and characterization was completed in October 2011 by Mountain States R&D International, Inc. Initial laboratory analysis and testing was completed under the direction of Dr. Roshan Bhappu, a world-renowned expert in metallurgical process development.
- Phase I results confirmed earlier expectations of ore characterization that indicates simplistic rare earth element associations suggesting favorable metallurgical processing options. According to the test results, the rare earth elements are finely disseminated throughout the Rhyolite host rock.
- Phase II testing has begun and is focused on gravity and flotation concentration testing, as well as diagnostic leaching tests.

- **Preliminary Economic Assessment Study (PEA):**

- In November, 2011, we engaged Gustavson Associates, a premier global consulting firm focused on all aspects of natural resource evaluation, to perform our PEA study on the Round Top Project
- The PEA will move us forward in the definition of the resource and de-risking of the project, and will provide project development options with their respective economic evaluations. The PEA will contain the various capital and operating cost estimates with associated schedules for each option developed.
- With Gustavson's assistance, we are making significant progress on our preliminary geo-statistical and geologic resource models. With the combination of the metallurgical testing and the progression of the resource model, we expect to deliver a PEA study by early 2012.

Looking Ahead

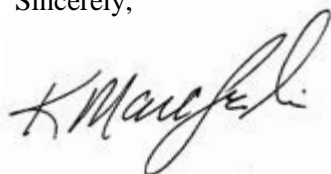
We remain on track to prove out the heavy rare earth element potential at Round Top, and have aggressive plans for de-risking and advancing this project. We are on target to initiate the environmental baseline studies in early 2012; a Pre-Feasibility Study is targeted for completion in early 2013, and a completed Bankable Feasibility Study is expected in early 2014. Production is forecasted for late 2015 to early 2016. As we move through this development process, one of our key objectives is to maximize shareholder value.

With approximately \$14 million in cash and cash equivalents as of December 21, 2011, we believe we have sufficient working capital to execute our operational plans through calendar year 2012. By focusing on the most critical and highest value heavy rare earth elements, we believe we can become a competitive and secure, US-based producer of heavy rare earths.

Lastly, we have strengthened our governance standards and look forward to eventual listing on a major stock exchange.

We extend our sincere appreciation and thanks to our customers, employees, shareholders, and suppliers for their continued trust, confidence and support during the past year, and look forward to sharing our progress and successes in 2012.

Sincerely,



K. Marc LeVier
President and Chief Executive Officer
December 22, 2011

OUR MANAGEMENT TEAM

OFFICERS

K. Marc LeVier

President, Chief Executive Officer and Director

Mr. LeVier was appointed as the Company's president, chief executive officer and as a director in May 2011. With 40 years experience in advanced process engineering, Mr. LeVier spent the last 22 years prior to May 2011 with Newmont Mining Corporation ("Newmont") in several professional capacities. As head of Metallurgical Research and Development, he led the development of processes for resources which have become Newmont's primary producing properties today. These include the development of the Gold Quarry refractory ore treatment plant (ROTP) at the Carlin Trend in Nevada, the Batu Hijau porphyry copper-gold mine in Indonesia, the heap leach operations at Minera Yanacocha in Peru, the Ahafo operations in Ghana, the Phoenix operation in Nevada, and the Boddington operation in Australia. Additionally, Mr. LeVier led teams in the development of the former operations at Minahasa in Indonesia and the Zarafshan-Newmont Joint Venture heap leach operation in Uzbekistan. Prior to Newmont, Mr. LeVier worked for Exxon Minerals Company, Joy Manufacturing Corporation and Derrick Manufacturing Corporation. He served in the U.S. Army Corps of Engineers during the Vietnam era.

Mr. LeVier has served on Industrial Advisory Boards at Montana Tech, South Dakota School of Mines & Technology, Virginia Tech, Michigan Tech, and the University of Arizona. He has also served on the AMIRA BOD, which is an international collaborative research group based in Australia, and the Society for Mining, Metallurgy and Exploration BOD. Mr. LeVier is a member of the Mining and Metallurgical Society (MMSA) and served as its President for four years. Mr. LeVier holds both a Bachelor's and Master's degree in Metallurgical Engineering from Michigan Technological University.

Daniel Gorski

Chief Operating Officer and Director

Mr. Gorski has severed as a director of the Company since January 2006 and as the Company's chief operating officer since May 2011. Prior thereto, Mr. Gorski served as the Company's president and chief executive officer from January 2007 to May 2011. From July 2004 to January 2006, Mr. Gorski was the co-founder and vice president of operations for High Plains Uranium Inc., a uranium exploration and development company that went public on the Toronto Stock Exchange in December 2005. Between June 1996 and May 2004, Mr. Gorski served as an officer and director of Metalline Mining Co., a publicly traded mining and development company with holdings in the Sierra Mojada Mining District, Coahuila, Mexico. From January 1992 to June 1996, Mr. Gorski was the exploration geologist under contract to USMX Inc. and worked exclusively in Latin America. Mr. Gorski earned a BS in 1960 from Sul Ross State College, in Alpine, Texas and an MA in 1970 from the University of Texas in Austin, Texas. Mr. Gorski has over thirty-five years of experience in the mining industry.

Wm. Chris Mathers

Chief Financial Officer

Mr. Mathers was appointed as the Company's chief financial officer in November 2010. From 2000 through 2010, Mr. Mathers was involved in providing contract chief financial officer and consulting services to a wide variety of privately and publicly held companies. From 1993 through 1999, Mr. Mathers served as CFO to InterSystems, Inc. (AMEX:II). Mr. Mathers began his career in public accounting with the international accounting firm of PriceWaterhouse. Mr. Mathers holds a BBA in accounting from Southwestern University located in Georgetown, Texas, and is also a certified public accountant.

Anthony Garcia*Senior Vice President of Project Development*

Mr. Garcia was appointed as Senior Vice President of Project Development on August 9, 2011. Prior to joining the Company, Mr. Garcia served as Value Assurance Senior Director for Newmont Mining, where he oversaw the review of 35 projects in Newmont's pipeline. Earlier in his career, Mr. Garcia progressed through a series of promotions at Bechtel Mining and Metals.

Mr. Garcia has more than 20 years of project/engineering management, design, and field experience in the mining and metals industry. He has been involved with studies, detailed design, construction, and the commissioning of a wide range of metals and mining projects around the world. He has worked on remediation of uranium mine and mill operations as a member of an engineering design/construction team required to regularly interface with state and federal regulators. Mr. Garcia also has experience working in in-situ recovery uranium projects at the Palagena Mine in Southwest Texas. He earned his BS, Master's degree in Engineering, and an MBA in Industrial Engineering from Colorado State University.

DIRECTORS**Anthony Marchese***Chairman of the Board*

Anthony Marchese - Mr. Marchese has served as a director since December 2009. Since May 2011, Mr. Marchese has served as a Senior Vice-President with Axiom Capital Management, Inc., a New York City based FINRA member broker/dealer. Mr. Marchese also serves as the general partner and chief investment officer of the Insiders Trend Fund, LP, an investment partnership whose mandate is to invest in those public companies whose officers and/or directors have been active acquirers of their own stock. Mr. Marchese's prior experience includes Monarch Capital Group, LLC (President and Chief Operating Officer – 2003 to 2011), Laidlaw Equities (senior vice president - April 1997 to March 2002), Southcoast Capital (senior vice president – May 1988 to April 1997), Oppenheimer & Co (limited partner – September 1982 to May 1988), Prudential-Bache (vice president – July 1981 to August 1982) and the General Motors Corporation (analyst – June 1980 to June 1981). Mr. Marchese served in the military with the Army Security Agency and the U.S. Army Intelligence and Security Command. Mr. Marchese received an MBA in Finance from the University of Chicago.

Mr. Marchese provides the Board with exceptional leadership and management knowledge, having gained extensive management and corporate finance experience during the course of his career. Mr. Marchese's specific experience, qualifications, attributes and skills described above led the Board to conclude that Mr. Marchese should serve as a member of the Board of Directors

General Gregory Martin*Director*

General Martin (retired) has served as a director of the Company since February 2011. General Martin graduated from the United States Air Force Academy in 1970 and served as an Air Force officer for more than 35 years before retiring from the Air Force in 2005. Since retirement, General Martin has served as a consultant and board member for several private aerospace and defense sector corporations. He has also served as a course facilitator and senior mentor for several universities and for the Joint Forces Command and the National Defense University. While on active duty, General Martin flew fighter aircraft in Southeast Asia during the Vietnam conflict and then continued to lead and command operational forces in the field up to and including the United States Air Forces in Europe and the NATO Air Forces Northern Europe Commands in support of Operation Enduring Freedom in Afghanistan and Operation Iraqi Freedom. His last assignment was as the Commander, Air Force Materiel Command at Wright- Patterson AFB, Ohio. In that capacity, he led nearly 80,000 personnel responsible for the Air Force Research Laboratory, all Air Force Acquisition support and Test and Evaluation operations, as well as the three Air Force Air Logistics Centers, responsible for the Air Force's Major Repair and Overhaul (MRO) activities.

Graham A, Karklin*Director*

Mr. Karklin was appointed as a director in March 2011. Mr. Karklin has been a mineral processing consultant since April, 2008. Mr. Karklin served in project development management with Newmont Mining Corporation from 1996 to March, 2008, during which time Mr. Karklin provided technical services to projects and operations in Canada, Peru, Bolivia, Indonesia, Ghana, Uzbekistan and Russia. Mr. Karklin served as a director of metallurgical services for Echo Bay Mines Ltd from 1988 to 1996, which tenure included management of mining operations, development of new projects and mergers and acquisitions. Early in his career, Mr. Karklin spent six years working for Tantalum Mining Corporation in rare earth operations. Mr. Karklin's experience includes metallurgical development and process in the areas of rare earths, base metals and precious metals. Mr. Karklin is a Professional Metallurgist, Qualified Person. Mr. Karklin serves on the board of directors of Dot Resources Ltd. and Alhambra Resources Ltd.

James J. Graham*Director*

Mr. Graham was appointed as a director in April 2011. Mr. Graham currently serves as the chief executive officer of Nuclear Fuel Cycle Consulting providing services for the front end of the nuclear fuel cycle. From 1993 to 2009, Mr. Graham served as president and chief executive officer of ConverDyn, a partnership between Honeywell International and General Atomics where he managed the global marketing of conversion services and oversight of Honeywell's Metropolis Facility in Metropolis, Illinois. ConverDyn is one of four primary converters in the world which provide a service that chemically changes the form of uranium oxide (yellowcake or U₃O₈) to uranium hexafluoride (UF₆). In addition to his position at ConverDyn, Prior thereto, Jim was a Senior Vice President of General Atomics and responsible for the company's nuclear fuel cycle activities from 1992 until 2004. During this period he was responsible for developing the Beverley ISL uranium mine in South Australia over a four and a half period. Beverley was the first ISL in Australia and the first mine to reach mining agreements with both the Native Title groups and the South Australian government. As senior management, Jim oversaw the acquisition and operation of the Cotter operations in Colorado and was deeply involved in the Wismut operation in former East Germany as well as the uranium activities in both Texas and New Mexico for General Atomics. Prior to General Atomics, Jim held the position of president and chief operating officer for NUEXCO Trading Company, which at the time was the world's largest uranium trading and brokerage group. Before joining NUEXCO, Jim spent nine years with the French oil company, TOTAL S.A., as Executive Vice President of its upstream activities and as President and CEO of its North American mining entities which included coal operations in Kentucky, Pennsylvania and Wyoming plus uranium operations in Texas and Wyoming and gold activities in South Dakota, Canada and Australia. During this period between 1983 and 1992 Mr. Graham was involved in growing the uranium business through several key acquisitions and joint ventures.

Mr. Graham is a former member of the Nuclear Energy Institute (NEI) Board of Directors, served as Chairman of the Board of Governors for the World Nuclear Fuel Market (WNFM) and is the past Chairman of the NEI's Nuclear Fuel Supply Forum. Jim also Co-Chaired the World Nuclear Association's 2007 Global Nuclear Fuel Market study in London. Mr. Graham's 40 year career spans nuclear, mining in potash, coal, gold and uranium using ISL, open pit and underground methods as well as working with corresponding plant, milling and ISL recovery facilities. Mr. Graham received his bachelor's degree in metallurgical engineering in 1970 from Michigan Technological University.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

The president's letter contains forward-looking statements within the meaning of the U.S. Securities Act of 1933, as amended, and U.S. Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that Texas Rare Earth Resources expects or anticipates will or may occur in the future, including such things as the potential development of the Round Top rare earth project, estimates of mineralized material, the potential ratio of heavy to total rare earth minerals present at the Round Top project, the number of metric tons of rhyolite contained at the Round Top project, possible low costs of production, advancement of exploration and resource definition, future mineralogical and metallurgical analysis, future baseline environmental studies, future geological modeling and test table construction, timing for completion of the pre-feasibility study, the preliminary economic assessment, the feasibility study, potential land and permitting efforts, timing for core hole drilling, expected results of Phase II metallurgical testing, the Company's focus on Europium, Terbium, Dysprosium, Yttrium and Neodymium, future production decisions and timing for anticipated production and other such similar matters are forward-looking statements. When used in this press release, the words "potential", "indicate", "expect", "intend", "hopes," "believe," "may," "will," "if, "anticipate" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Texas Rare Earth Resources to be materially different from any future results, performance or achievements expressed or implied by such statements. Such factors include, among others, uncertainty of mineralized material estimates, risks relating to completing drilling and metallurgical testing at the Round Top project, risks related to project development determinations, risks related to fluctuations in the price of rare earth minerals, the inherently hazardous nature of mining related activities, potential effects on Texas Rare Earth Resource's operations of environmental regulations, risks due to legal proceedings, risks related to uncertainty of being able to raise capital on favorable terms or at all, as well as those factors discussed under the heading "Risk Factors" in Texas Rare Earth Resource's latest annual report on Form 10-K as filed on November 22, 2011 and other documents filed with the U.S. Securities and Exchange Commission. Although Texas Rare Earth Resources has attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Except as required by law, Texas Rare Earth Resources assumes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

CAUTIONARY NOTE REGARDING MINERAL ESTIMATES

The United States Securities and Exchange Commission ("SEC") limits disclosure for U.S. reporting purposes to mineral deposits that a company can economically and legally extract or produce. The president's letter uses the term "resource". We advise U.S. investors that while this term is defined in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") - CIM Definition Standards on Mineral Resources and Mineral Reserves, adopted by the CIM Council, as amended (the "CIM Standards"), such term is not recognized by the SEC and is normally not permitted to be used in reports and registration statements filed with the SEC. U.S. Investors are cautioned not to assume that any defined resource would ever be converted into SEC compliant reserves. Our Round Top rare earth project currently does not contain any known proven or probable ore reserves under SEC reporting standards and our reference above to the metric tons of rhyolite contained at the project is a reference only to estimated in-place tonnage. U.S. investors are urged to consider closely the disclosure in our latest reports.

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 000-53482



TEXAS RARE EARTH RESOURCES CORP.
(Exact Name of Registrant as Specified in its Charter)

Nevada

(State of other jurisdiction of incorporation or organization)

87-0294969

(I.R.S. Employer Identification No.)

304 Inverness Way South, Suite 365
Englewood, Colorado

(Address of Principal Executive Offices)

80112

(Zip Code)

(303) 597-8737

(Registrant's Telephone Number, including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: **None**

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: **Common Stock, par value \$0.01**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by checkmark whether the registrant (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 229.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to the Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check one):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter: As of February 28, 2011 the aggregate market value of the registrant's voting common stock held by non-affiliates of the registrant was \$32,366,130 based upon the closing sale price of the common stock as reported by the OTCQB.

The number of shares of the Registrant's common stock outstanding as of November 8, 2011 was 34,622,509

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Definitive Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2011 Annual General Meeting of Shareholders are incorporated by reference to Part III of this Annual Report on Form 10-K.

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PRELIMINARY NOTES

As used in this Annual Report on Form 10-K (“Annual Report”), references to “Texas Rare Earths”, “the Company,” “we,” “our,” or “us” mean Texas Rare Earth Resources Corp. and its predecessors, as the context requires.

GLOSSARY OF TERMS

Alteration	Any physical or chemical change in a rock or mineral subsequent to its formation.
Breccia	A rock in which angular fragments are surrounded by a mass of fine-grained minerals.
Concession	A grant of a tract of land made by a government or other controlling authority in return for stipulated services or a promise that the land will be used for a specific purpose.
Core	The long cylindrical piece of a rock, about an inch in diameter, brought to the surface by diamond drilling.
Diamond drilling	A drilling method in which the cutting is done by abrasion using diamonds embedded in a matrix rather than by percussion. The drill cuts a core of rock, which is recovered in long cylindrical sections.
Drift	A horizontal underground opening that follows along the length of a vein or rock formation as opposed to a cross-cut which crosses the rock formation.
Exploration	Work involved in searching for ore, usually by drilling or driving a drift.
Exploration expenditures	Costs incurred in identifying areas that may warrant examination and in examining specific areas that are considered to have prospects that may contain mineral deposit reserves.
Grade	The average assay of a ton of ore, reflecting metal content.
Host rock	The rock surrounding an ore deposit.
Intrusive	A body of igneous rock formed by the consolidation of magma intruded into other rocks, in contrast to lavas, which are extruded upon the surface.
Lode	A mineral deposit in solid rock.
Ore	The naturally occurring material from which a mineral or minerals of economic value can be extracted profitably or to satisfy social or political objectives. The term is generally but not always used to refer to metalliferous material, and is often modified by the names of the valuable constituent; e.g., iron ore.
Ore body	A continuous, well-defined mass of material of sufficient ore content to make extraction economically feasible.
Mine development	The work carried out for the purpose of opening up a mineral deposit and making the actual ore extraction possible.
Mineral	A naturally occurring homogeneous substance having definite physical properties and chemical composition, and if formed under favorable conditions, a definite crystal forms.

Mineralization	The presence of economic minerals in a specific area or geological formation.
Mineral reserve	That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination. Reserves are customarily stated in terms of "Ore" when dealing with metalliferous minerals.
Probable (Indicated) reserves	Reserves for which quantity and grade and/or quality are computed from information similar to that used for proven (measure) reserves, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for proven (measured) reserves, is high enough to assume continuity between points of observation.
Prospect	A mining property, the value of which has not been determined by exploration.
Proven (Measured) reserves	Reserves for which (a) quantity is computed from dimensions revealed in outcrops, trenches, workings or drill holes; grade and/or quality are computed from the results of detailed sampling and (b) the sites for inspection, sampling and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth and mineral content of reserves are well-established.
Resources	The calculated amount of material in a mineral deposit, based on limited drill information.
Tonne	A metric ton which is equivalent to 2,200 pounds.
Trend	A general term for the direction or bearing of the outcrop of a geological feature of any dimension, such as a layer, vein, ore body, or fold.
Unpatented mining claim	A parcel of property located on federal lands pursuant to the General Mining Law and the requirements of the state in which the unpatented claim is located, the paramount title of which remains with the federal government. The holder of a valid, unpatented lode-mining claim is granted certain rights including the right to explore and mine such claim.
Vein	A mineralized zone having a more or less regular development in length, width, and depth, which clearly separates it from neighboring rock.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K and the exhibits attached hereto contain “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995 (collectively, “forward-looking statements”). Such forward-looking statements concern the Company’s anticipated results and developments in the Company’s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as “expects” or “does not expect”, “is expected”, “anticipates” or “does not anticipate”, “plans”, “estimates” or “intends”, or stating that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements in this Annual Report on Form 10-K, includes, but is not limited to:

- The progress, potential and uncertainties of the Company’s 2011-2012 rare-earth drill program and exploration plans at it Round Top project in Hudspeth County, Texas (the “Round Top Project”);
- The success of getting the necessary permits for future drill programs and future project development;
- Expectations regarding the ability to raise capital and to continue its exploration and development plans on its properties;
- Plans regarding anticipated expenditures at the Round Top Project; and
- Plans outlined under the section heading “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – Plan of Operation”.

Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements, including, without limitation:

- risks associated with the Company’s history of losses and need for additional financing;
- risks associated with the Company’s limited operating history;
- risks associated with the Company’s properties all being in the exploration stage;
- risks associated with the Company’s lack of history in producing metals from its properties;
- risks associated with a shortage of equipment and supplies;
- risks associated with the Company’s need for additional financing to develop a producing mine, if warranted;
- risks associated with the Company’s exploration activities not being commercially successful;
- risks associated with increased costs affecting the Company’s financial condition;
- risks associated with a shortage of equipment and supplies adversely affecting the Company’s ability to operate;
- risks associated with mining and mineral exploration being inherently dangerous;
- risks associated with mineralization estimates;
- risks associated with changes in mineralization estimates affecting the economic viability of the Company’s properties;
- risks associated with uninsured risks;
- risks associated with mineral operations being subject to market forces beyond the Company’s control;
- risks associated with fluctuations in commodity prices;

- risks associated with permitting, licenses and approval processes;
- risks associated with the governmental and environmental regulations;
- risks associated with future legislation regarding the mining industry and climate change;
- risks associated with potential environmental lawsuits;
- risks associated with the Company's land reclamation requirements;
- risks associated with rare earth and beryllium mining presenting potential health risks;
- risks related to title in the Company's properties
- risks related to competition in the mining and rare earth elements industries;
- risks related to economic conditions;
- risks related to our ability to manage growth;
- risks related to the potential difficulty of attracting and retaining qualified personnel;
- risks related to the Company's dependence on key personnel;
- risks related to the Company's SEC filing history; and
- risks related to the Company's securities.

This list is not exhaustive of the factors that may affect the Company's forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further under the section headings "Item 1. Description of the Business", "Item 1A. Risk Factors" and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Annual Report. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated, estimated or intended. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, believed, estimated or expected. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made. Except as required by law, the Company disclaims any obligation subsequently to revise any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. **The Company qualifies all the forward-looking statements contained in this Annual Report by the foregoing cautionary statements.**

PART I

ITEM 1. DESCRIPTION OF BUSINESS

Corporate Organization and History

The Company was incorporated as a business corporation in the State of Nevada in 1970 under the name “Standard Silver Corporation.” The Company changed its name from “Standard Silver Corporation” to “Texas Rare Earth Resources Corp.” (“TRER”), effective September 1, 2010. We do not currently have any subsidiaries.

Our common stock is currently listed for quotation on the OTCQB market tier of OTC Markets, Inc., a centralized quotation service maintained by OTC Markets Inc. that collects and publishes market maker quotes for over-the-counter securities (OTCQB:TRER). Our executive office is located at 304 Inverness Way South, Suite 365, Englewood, Colorado 80112. The telephone number for our executive office is (303) 597-8737. We maintain a website at trer.com.

In July 2004, our articles of incorporation were amended and restated to increase the authorized capital to 25,000,000 common shares and, in April 2007, we effected a 1-for-2 reverse stock split.

In September 2008, our articles of incorporation were further amended and restated to increase the authorized capital to 100,000,000 common shares with a par value of \$0.01 per share and to authorize 10,000,000 preferred shares with a par value of \$0.001 per share.

The Company’s fiscal year-end is August 31.

Narrative Description of Business

We are a mining company engaged in the business of the acquisition, exploration and development of mineral properties. We currently hold a twenty year lease to explore and develop an 860 acre rare earths mineral project located in Hudspeth County, Texas known as the Round Top Project and prospecting permits covering an adjacent 9,345 acres. We currently have limited operations and have not established that our Round Top Project contains proven or probable reserves as defined under SEC Industry Guide 7.

The Round Top Project was originally explored and developed in the late 1980's as a beryllium resource. During the exploration of this area, heavy rare earths and uranium mineralization were also discovered. Market conditions precluded commercialization of these elements at that time. Recent technology and market developments have increased the demand for rare earth elements and further exploration of the rare earth elements at the Round Top Project is warranted. Our current focus is on the exploration of the Round Top Project with the long-term goal of becoming a high volume, low cost producer of heavy rare earths.

The Round Top rhyolite host rock which caps the beryllium deposits has potential to be a large resource of rare earth minerals. According to a report published by the Texas Bureau of Economic Geology (a copy of which can be found at http://www.minsocam.org/ammin/AM72/AM72_1122.pdf and referred to herein as the “Round Top Report”) heavy rare earth elements make up 67% of the total rare earth element content at the Round Top Project.

Recent Corporate Developments

The following significant corporate developments occurred during our fiscal year ended August 31, 2011:

- On October 5, 2010, we announced the execution of a 20-year lease with the Texas General Land Office covering 860 acres at the Round Top Project.
- On February 1, 2011, and February 15, 2011, we completed equity private placement financings for gross aggregate proceeds of \$4.0 million. We placed a total of 1,600,000 shares of common stock at \$2.50 per share and issued five-year warrants to purchase 1,600,000 shares of common stock at an exercise price of \$2.50 per share. Additionally, we granted a 120-day option to these investors to purchase up to 6,400,000 shares of our common stock at a purchase price of \$2.50 per share, with 100% warrant coverage.
- On March 24, 2011, our common stock was upgraded to OTC Market’s OTCQB market tier

- On May 3, 2011, we announced the appointment of Marc LeVier as our President and Chief Executive Officer.
- On May 18, 2011, the Texas General Land Office approved our exploration plan for our Round Top Project. The plan calls for the completion of approximately 50 drill holes totaling at least 12,000 feet of reverse circulation drilling, close-spaced aero-magnetic/gamma ray spectrography surveys. Samples recovered from the drilling will be used for the metallurgical characterization and testing.
- On June 10, 2011, we announced that we had received \$15.6 million through the successful completion of the second stage of our financings previously closed in February of 2011.
- On July 11, 2011, exploration drilling began at the Round Top Project site. This program includes approximately 50 drill holes totaling at least 12,000 feet of reverse circulation drilling.
- On August 9, 2011, we appointed Anthony Garcia as Senior Vice President of Project Development to oversee the Company's efforts at the Round Top project.
- On August 16, 2011, Aeroquest Airborne completed the Tri-Axial Magnetic Gradiometer airborne survey over the Round Top Project area. The aeromagnetic geophysical data successfully mapped rhyolite dome complexes at the surface and their roots at depth, distinguished between older, less differentiated, and younger, more differentiated complexes, and mapped structures that appear to be related to the rhyolite intrusions and mineralization. Three dimensional (3-D) inversion modeling is currently under way to generate a 3-D magnetic susceptibility model which will be used to design drill testing of deeper targets in the future.
- On August 23, 2011, we expanded our exploration program at our Round Top Project over the next twelve months into three phases and over a broader area based on our aeromagnetic survey results.

Plan of Operations

Source of Funds for Fiscal Year Ending August 31, 2012

The Company's primary source of funds since incorporation has been through the issuance of common stock. As of August 31, 2011, the Company had cash and cash equivalents of \$16,886,066 and a working capital surplus of approximately \$16,344,000. We will require additional financing to continue our exploration and development activities. We currently have sufficient working capital to complete our planned exploration and development activities on the Round Top Project through calendar year 2012.

Use of Funds for Fiscal Year Ending August 31, 2012

The Company's current capital expenditures are for the exploration/acquisition and evaluation expenses of its Round Top Project. For fiscal 2012, the Company estimates that it might expend \$1.6 million on general/administrative expenses and \$8.8 million on exploration expenses.

Trends – Rare-Earth Market

Rare earth elements (or "REEs") are a group of chemically similar elements that usually are found together in nature; they are referred to as the "lanthanide series." These individual elements have a variety of characteristics that are important in a wide range of technologies, products, and applications and are critical inputs in existing and emerging applications including: computer hard drives, cell phones, clean energy technologies, such as hybrid and electric vehicles and wind power turbines; multiple high-tech uses, including fiber optics, lasers and hard disk drives; numerous defense applications, such as guidance and control systems and global positioning systems; and advanced water treatment technology for use in industrial, military and outdoor recreation applications. As a result, global demand for REE is projected to steadily increase due to continuing growth in existing applications and increased innovation and development of new end uses. Interest in developing resources domestically has become a strategic necessity as there is limited production of these elements outside of China. Our ability to raise additional funds in order to complete our plan of development at the Round Top Project may be impacted by future prices for REEs.

Sources and Availability of Raw Materials

The Company is currently in the exploration stage and as such does not require any significant raw materials in order to carry out its primary operating activities. The Company's primary operating objective is to explore and develop the Round Top Project. For at least the next year, the Company is expected to continue to require the use of contract drilling services in order to obtain additional geological information. In the past year the Company has been able to secure contract drilling services without excessive delay and costs. We expect the contract drilling services will continue to be available over the next year.

The raw materials that the Company's current operations rely on are gasoline and diesel fuel for the exploration vehicles and for the heavy equipment required to build roads and conduct drilling operations. Water is provided per service contract by Eagle Mountain Gang which is used for the drilling operations.

Seasonality

Seasonality in the state of Texas is not a material factor to the Company's operations for its project.

Competition

The mining industry is highly competitive. We will be competing with numerous companies, substantially all with greater financial resources available to them. We therefore will be at a significant disadvantage in the course of acquiring mining properties and obtaining materials, supplies, labor, and equipment. Additionally, we are and will continue to be an insignificant participant in the business of exploration and mineral property development. A large number of established and well-financed companies are active in the mining industry and will have an advantage over us if they are competing for the same properties. Nearly all such entities have greater financial resources, technical expertise and managerial capabilities than ourselves and, consequently, we will be at a competitive disadvantage in identifying possible mining properties and procuring the same.

China accounts for the vast majority of rare earth element production. While rare earth element projects exist outside of China, very few are in actual production. Further, given the timeline for current exploration projects to come into production, if at all, it is likely that the Chinese will be able to dominate the market for rare earth elements into the future. This gives the Chinese a competitive advantage in controlling the supply of rare earth elements and engaging in competitive price reductions to discourage competition. Any increase in the amount of rare earth elements exported from other nations, and increased competition, may result in price reductions, reduced margins and loss of potential market share, any of which could materially adversely affect our profitability. As a result of these factors, we may not be able to compete effectively against current and future competitors.

Government Approvals

The exploration, drilling and mining industries operate in a legal environment that requires permits to conduct virtually all operations. Thus permits are required by local, state and federal government agencies. Local authorities, usually counties, also have control over mining activity. The various permits address such issues as prospecting, development, production, labor standards, taxes, occupational health and safety, toxic substances, air quality, water use, water discharge, water quality, noise, dust, wildlife impacts, as well as other environmental and socioeconomic issues.

Prior to receiving the necessary permits to explore or mine, the operator must comply with all regulatory requirements imposed by all governmental authorities having jurisdiction over the project area. Very often, in order to obtain the requisite permits, the operator must have its land reclamation, restoration or replacement plans pre-approved. Specifically, the operator must present its plan as to how it intends to restore or replace the affected area. Often all or any of these requirements can cause delays or involve costly studies or alterations of the proposed activity or time frame of operations, in order to mitigate impacts. All of these factors make it more difficult and costly to operate and have a negative and sometimes fatal impact on the viability of the exploration or mining operation. Finally, it is possible that future changes in these laws or regulations could have a significant impact on our business, causing those activities to be economically reevaluated at that time.

Effect of Existing or Probable Government and Environmental Regulations

Mineral exploration, including mining operations are subject to governmental regulation. Our operations may be affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which minerals may be marketed. An excess supply of certain minerals may exist from time to time due to lack of markets, restrictions on exports, and numerous factors beyond our control. These factors include market fluctuations and government regulations relating to prices, taxes, royalties, allowable production and importing and exporting minerals. The effect of these factors cannot be accurately determined, and we are not aware of any probable government regulations that would impact the Company. This section is intended as a brief overview of the laws and regulations described herein and is not intended to be a comprehensive treatment of the subject matter.

Overview. Like all other mining companies doing business in the United States, we are subject to a variety of federal, state and local statutes, rules and regulations designed to protect the quality of the air and water, and threatened or endangered species, in the vicinity of its operations. These include “permitting” or pre-operating approval requirements designed to ensure the environmental integrity of a proposed mining facility, operating requirements designed to mitigate the effects of discharges into the environment during exploration, mining operations, and reclamation or post-operation requirements designed to remediate the lands affected by a mining facility once commercial mining operations have ceased.

Federal legislation in the United States and implementing regulations adopted and administered by the Environmental Protection Agency, the Forest Service, the Bureau of Land Management, the Fish and Wildlife Service, the Army Corps of Engineers and other agencies—in particular, legislation such as the federal Clean Water Act, the Clean Air Act, the National Environmental Policy Act, the Endangered Species Act, the National Forest Management Act, the Wilderness Act, and the Comprehensive Environmental Response, Compensation and Liability Act—have a direct bearing on domestic mining operations. These federal initiatives are often administered and enforced through state agencies operating under parallel state statutes and regulations.

The Clean Water Act. The federal Clean Water Act is the principal federal environmental protection law regulating mining operations in the United States as it pertains to water quality.

At the state level, water quality is regulated by the Environment Department, Water and Waste Management Division under the Water Quality Act (state). If our exploration or any future development activities might affect a ground water aquifer, it will have to apply for a Ground Water Discharge Permit from the Ground Water Quality Bureau in compliance with the Groundwater Regulations. If exploration affects surface water, then compliance with the Surface Water Regulations is required.

The Clean Air Act. The federal Clean Air Act establishes ambient air quality standards, limits the discharges of new sources and hazardous air pollutants and establishes a federal air quality permitting program for such discharges. Hazardous materials are defined in the federal Clean Air Act and enabling regulations adopted under the federal Clean Air Act to include various metals. The federal Clean Air Act also imposes limitations on the level of particulate matter generated from mining operations.

National Environmental Policy Act (NEPA). NEPA requires all governmental agencies to consider the impact on the human environment of major federal actions as therein defined.

Endangered Species Act (ESA). The ESA requires federal agencies to ensure that any action authorized, funded or carried out by such agency is not likely to jeopardize the continued existence of any endangered or threatened species or result in the destruction or adverse modification of their critical habitat. In order to facilitate the conservation of imperiled species, the ESA establishes an interagency consultation process. When a federal agency proposes an action that “may affect” a listed species, it must consult with the USFWS and must prepare a “biological assessment” of the effects of a major construction activity if the USFWS advises that a threatened species may be present in the area of the activity.

National Forest Management Act. The National Forest Management Act, as implemented through title 36 of the Code of Federal Regulations, provides a planning framework for lands and resource management of the National Forests. The planning framework seeks to manage the National Forest System resources in a combination that best serves the public interest without impairment of the productivity of the land, consistent with the Multiple Use Sustained Yield Act of 1960.

Wilderness Act. The Wilderness Act of 1964 created a National Wilderness Preservation System composed of federally owned areas designated by Congress as “wilderness areas” to be preserved for future use and enjoyment.

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA). CERCLA imposes clean-up and reclamation responsibilities with respect to discharges into the environment, and establishes significant criminal and civil penalties against those persons who are primarily responsible for such discharges.

The Resource Conservation and Recovery Act (RCRA). RCRA was designed and implemented to regulate the disposal of solid and hazardous wastes. It restricts solid waste disposal practices and the management, reuse or recovery of solid wastes and imposes substantial additional requirements on the subcategory of solid wastes that are determined to be hazardous. Like the Clean Water Act, RCRA provides for citizens’ suits to enforce the provisions of the law.

National Historic Preservation Act. The National Historic Preservation Act was designed and implemented to protect historic and cultural properties. Compliance with the Act is necessary where federal properties or federal actions are undertaken, such as mineral exploration on federal land, which may impact historic or traditional cultural properties, including native or Indian cultural sites.

In the fiscal year ended August 31, 2011, we incurred minimal costs in complying with environmental laws and regulations in relation to our operating activities. Costs in the fiscal year ended August 31, 2012 will be substantially similar, but slightly higher due to our anticipated increased drilling activities at our Round Top Project.

Mine Safety and Health Administration Regulations

Pursuant to Section 1503(a) of the recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act (The “Dodd-Frank Act”), issuers that are operators, or that have a subsidiary that is an operator, of a coal or other mine in the United States are required to disclose in their periodic reports filed with the SEC information regarding specified health and safety violations, orders and citations, related assessments and legal actions, and mining-related fatalities. During the fiscal year ended August 31, 2011, our U.S. exploration properties were not subject to regulation by the Federal Mine Safety and Health Administration (“MSHA”) under the *Federal Mine Safety and Health Act of 1977* (the “Mine Act”).

Employees

Including our executive officers, we currently have nine employees. We also retain qualified technical contractors through a third party administrator and utilize the services of qualified consultants with geological and mineralogical expertise.

ITEM 1A. RISK FACTORS

Investment in our Company has a high degree of risk. Before you invest you should carefully consider the risks and uncertainties described below. If any of the following risks actually occur, our business, operating results and financial condition could be harmed and the value of our stock could go down. This means you could lose all or a part of your investment.

Risk Related to Our Business

We have a history of losses and will require additional financing to fund exploration and, if warranted, development and production of our properties. Failure to obtain additional financing could have a material adverse effect on our financial condition and results of operation and could cast uncertainty on our ability to continue as a going concern.

We had no revenues during the fiscal year ended August 31, 2011. For the fiscal year ended August 31, 2011, our net loss was approximately \$7,020,000. Our accumulated deficit at August 31, 2011 was approximately \$8,443,000. At August 31, 2011, our cash position was approximately \$16,886,000 and our working capital position was approximately \$16,344,000. We have not commenced commercial production on any of our mineral properties. We have no revenues from operations and anticipate we will have no operating revenues until we place one or more of our properties into production. All of our properties are in the exploration stage.

We will need to raise additional funding to implement our business strategy. Our management believes that based on our current working capital position, we will be able to continue operations through the end of calendar year 2012 without raising additional capital, either through debt or equity financing. Over the next twelve months, we plan to spend over \$8,800,000 for exploration at our Round Top project, which includes expenditures for, among other things, drilling of samples, metallurgical testing, scoping studies, permitting and compliance costs associated with state governmental agencies and appropriate staff and consulting expenses. The timing of these expenditures is dependent upon a number of factors, including the availability of drilling contractors. We estimate that general and administrative expenses for the next twelve months will be approximately \$1,600,000 to include payroll, professional services, travel, and other expenses necessary to conduct our operations.

We currently do not have sufficient funds to fully complete exploration and development work on any of our properties, which means that we will be required to raise additional capital, enter into joint venture relationships or find alternative means to finance placing one or more of our properties into commercial production, if warranted. Failure to obtain sufficient financing may result in the delay or indefinite postponement of exploration and development or production on one or more of our properties and any properties we may acquire in the future or even a loss of property interests. This includes our leases over claims covering the principal deposits on our properties, which may expire unless we expend minimum levels of expenditures over the terms of such leases. We cannot be certain that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable or acceptable to us. Our ability to arrange additional financing in the future will depend, in part, on the prevailing capital market conditions as well as our business performance.

The most likely source of future financing presently available to us is through the sale of our securities. Any sale of common shares will result in dilution of equity ownership to existing shareholders. This means that if we sell common shares, more common shares will be outstanding and each existing shareholder will own a smaller percentage of the shares than outstanding. Alternatively, we may rely on debt financing and assume debt obligations that require us to make substantial interest and capital payments. Also, we may issue or grant warrants or options in the future pursuant to which additional common shares may be issued. Exercise of such warrants or options will result in dilution of equity ownership to our existing shareholders.

We have a limited operating history on which to base an evaluation of our business and properties.

Any investment in the Company should be considered a high-risk investment because investors will be placing funds at risk in an early stage business with unforeseen costs, expenses, competition, a history of operating losses and other problems to which start-up ventures are often subject. Investors should not invest in the Company unless they can afford to lose their entire investment. Your investment must be considered in light of the risks, expenses, and difficulties encountered in establishing a new business in a highly competitive and mature industry. Our operating history has been restricted to the acquisition and sampling of our Round Top project and this does not provide a meaningful basis for an evaluation of our Round Top project. Other than through conventional and typical exploration methods and procedures, we have no additional way to evaluate the likelihood of whether our Round Top project or our other mineral properties contain commercial quantities of mineral reserves or, if they do, that they will be operated successfully. We anticipate that we will continue to incur operating costs without realizing any revenues during the period that we are exploring our properties.

All of our properties are in the exploration stage. There is no assurance that we can establish the existence of any mineral reserve on any of these properties in commercially exploitable quantities. Until we can do so, we cannot earn any revenues from these properties, and our business could fail.

We have not established that any of our properties contain any mineral reserve, nor can there be any assurance that we will be able to do so. The probability of an individual prospect ever having a mineral reserve that meets the requirements of the Securities and Exchange Commission is extremely remote. Even if we do eventually discover a mineral reserve on one or more of our properties, there can be no assurance that they can be developed into producing mines. Both mineral exploration and development involve a high degree of risk and few properties, which are explored, are ultimately developed into producing mines.

The commercial viability of an established mineral deposit will depend on a number of factors including, by way of example, the size, grade and other attributes of the mineral deposit, the proximity of the deposit to infrastructure such as a smelter, roads and a point for shipping, government regulation and market prices. Most of these factors will be beyond our control, and any of them could increase costs and make extraction of any identified mineral deposit unprofitable.

Even if commercial viability of a mineral deposit is established, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish proven and probable reserves through drilling and bulk sampling, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that our exploration programs will result in the establishment or expansion of a mineral deposit or reserves.

We have no history of producing metals from our mineral properties.

We have no history of producing metals from any of our properties. Our properties are all exploration stage properties in various stages of exploration and evaluation. Our Round Top project is an early exploration stage project, and our New Mexico properties are each early stage exploration projects that management does not consider material to our operations. Advancing properties from exploration into the development stage requires significant capital and time, and successful commercial production from a property, if any, will be subject to completing feasibility studies, permitting and construction of the mine, processing plants, roads, and other related works and infrastructure. As a result, we are subject to all of the risks associated with developing and establishing new mining operations and business enterprises including:

- completion of feasibility studies to verify reserves and commercial viability, including the ability to find sufficient REE or gold reserves to support a commercial mining operation;
- the timing and cost, which can be considerable, of further exploration, preparing feasibility studies, permitting and construction of infrastructure, mining and processing facilities;
- the availability and costs of drill equipment, exploration personnel, skilled labor and mining and processing equipment, if required;
- the availability and cost of appropriate smelting and/or refining arrangements, if required, and securing a commercially viable sales outlet for our products;
- compliance with environmental and other governmental approval and permit requirements;
- the availability of funds to finance exploration, development and construction activities, as warranted;
- potential opposition from non-governmental organizations, environmental groups, local groups or local inhabitants which may delay or prevent development activities;
- potential increases in exploration, construction and operating costs due to changes in the cost of fuel, power, materials and supplies; and
- potential shortages of mineral processing, construction and other facilities related supplies.

The costs, timing and complexities of exploration, development and construction activities may be increased by the location of our properties and demand by other mineral exploration and mining companies. It is common in exploration programs to experience unexpected problems and delays during drill programs and, if warranted, development, construction and mine start-up. Accordingly, our activities may not result in profitable mining operations and we may not succeed in establishing mining operations or profitably producing metals at any of our properties.

If we establish the existence of a mineral reserve on any of our exploration properties in a commercially exploitable quantity, we will require additional capital in order to develop the property into a producing mine. If additional capital cannot be raised, we will not be able to exploit the reserve, and our business could fail.

If we do discover mineral reserves in commercially exploitable quantities on any of our properties, we will be required to expend substantial sums of money to establish the extent of the reserve, develop processes to extract the minerals and develop extraction and processing facilities and infrastructure. We do not have adequate capital to develop necessary facilities and infrastructure and will need to raise additional funds. Although we may derive substantial benefits from the discovery of a major mineral deposit, there can be no assurance that such a deposit will be large enough to justify commercial operations, nor can there be any assurance that we will be able to raise the funds required for development on a timely basis. If we cannot raise the necessary capital or complete the necessary facilities and infrastructure, our business may fail.

Our exploration activities may not be commercially successful.

Our long-term success depends on our ability to identify mineral deposits on our existing properties and other properties we may acquire, if any, that we can then develop into commercially viable mining operations. Our belief that the properties contain commercially exploitable minerals is based solely on preliminary tests that we have conducted and data provided by third parties, including the data published in various third party reports, including but not limited to the GSA, Geological Society of America, Special Paper 246, 1990. There can be no assurance that the tests and data upon which we have relied are correct or accurate. Moreover, mineral exploration is highly speculative in nature, involves many risks and is frequently non-productive. Unusual or unexpected geologic formations and the inability to obtain suitable or adequate machinery, equipment or labor are risks involved in the conduct of exploration programs. The success of mineral exploration and development is determined in part by the following factors:

- the identification of potential mineralization based on analysis;
- the availability of exploration permits;
- the quality of our management and our geological and technical expertise; and
- the capital available for exploration.

Substantial expenditures and time are required to establish existing proven and probable reserves through drilling and analysis, to develop metallurgical processes to extract metal, and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Whether a mineral deposit will be commercially viable depends on a number of factors, which include, without limitation, the particular attributes of the deposit, such as size, grade and proximity to infrastructure; metal prices, which fluctuate widely; and government regulations, including, without limitation, regulations relating to prices, taxes, royalties, land tenure, land use, allowable production, importing and exporting of minerals and environmental protection. Any one or a combination of these factors may result in us not receiving an adequate return on our investment capital. The decision to abandon a project may have an adverse effect on the market value of our securities and our ability to raise future financing.

Increased costs could affect our financial condition.

We anticipate that project costs will frequently be subject to variation from one year to the next due to a number of factors, such as changing ore grade, metallurgy and revisions to mine plans, if any, in response to the physical shape and location of the ore body. In addition, costs are affected by the price of commodities such as fuel, rubber, and electricity. Such commodities are at times subject to volatile price movements, including increases that could make production at certain operations less profitable. A material increase in costs at any significant location could have a significant effect on our profitability.

A shortage of equipment and supplies could adversely affect our ability to operate our business.

We are dependent on various supplies and equipment to carry out our mining exploration and, if warranted, development operations. The shortage of such supplies, equipment and parts could have a material adverse effect on our ability to carry out our operations and therefore limit or increase the cost of production.

Mining and mineral exploration is inherently dangerous and subject to conditions or events beyond our control, which could have a material adverse effect on our business and plans.

Mining and mineral exploration involves various types of risks and hazards, including:

- environmental hazards;
- power outages;
- metallurgical and other processing problems;
- unusual or unexpected geological formations;
- personal injury, flooding, fire, explosions, cave-ins, landslides and rock-bursts;
- inability to obtain suitable or adequate machinery, equipment, or labor;
- metals losses;
- fluctuations in exploration, development and production costs;
- labor disputes;
- unanticipated variations in grade;
- mechanical equipment failure; and
- periodic interruptions due to inclement or hazardous weather conditions.

These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability. We may not be able to obtain insurance to cover these risks at economically feasible premiums. Insurance against certain environmental risks, including potential liability for pollution or other hazards as a result of the disposal of waste products occurring from production, may be prohibitively expensive. We may suffer a material adverse effect on our business if we incur losses related to any significant events that are not covered by our insurance policies.

The figures for our mineralization are estimates based on interpretation and assumptions and may yield less mineral production under actual conditions than is currently estimated.

Unless otherwise indicated, mineralization figures presented in this Annual Report and in our filings with securities regulatory authorities, press releases and other public statements that may be made from time to time are based upon estimates made by independent geologists and our internal geologists. When making determinations about whether to advance any of our projects to development, we must rely upon such estimated calculations as to the mineral reserves and grades of mineralization on our properties. Until ore is actually mined and processed, mineral reserves and grades of mineralization must be considered as estimates only.

Estimates can be imprecise and depend upon geological interpretation and statistical inferences drawn from drilling and sampling analysis, which may prove to be unreliable. We cannot assure you that:

- these interpretations and inferences will be accurate;
- mineralization estimates will be accurate; or
- this mineralization can be mined or processed profitably.

Any material changes in mineralization estimates and grades of mineralization will affect the economic viability of placing a property into production and a property's return on capital.

Because feasibility studies have not been completed on any of our properties and we have not commenced actual production, mineralization estimates for our properties may require adjustments or downward revisions. In addition, the grade of ore ultimately mined, if any, may differ from that indicated by our feasibility studies and drill results. Minerals recovered in small scale tests may not be duplicated in large scale tests under on-site conditions or in production scale.

The mineralization estimates contained in this Annual Report have been determined and valued based on assumed future prices, cut-off grades and operating costs that may prove to be inaccurate. Extended declines in market prices for rare earth minerals may render portions of our mineralization estimates uneconomic and result in reduced reported mineralization or adversely affect the commercial viability determinations we reach. Any material reductions in estimates of mineralization, or of our ability to extract this mineralization, could have a material adverse effect on our share price and the value of our properties.

Our operations contain significant uninsured risks which could negatively impact future profitability as we maintain no insurance against our operations.

Our exploration of our mineral properties contains certain risks, including unexpected or unusual operating conditions including rock bursts, cave-ins, flooding, fire and earthquakes. It is not always possible to insure against these risks. Should events such as these arise, they could reduce or eliminate our assets and shareholder equity as well as result in increased costs and a decline in the value of our securities. We expect to maintain only general liability and director and officer insurance but no insurance against our properties or operations. We may decide to take out this insurance in the future if it is available at economically viable rates.

Mineral operations are subject to market forces outside of our control which could negatively impact our operations.

The marketability of minerals is affected by numerous factors beyond our control including market fluctuations, government regulations relating to prices, taxes, royalties, allowable production, imports, exports and supply and demand. One or more of these risk elements could have an impact on the costs of our operations and if significant enough, reduce the profitability of our operations.

We may be adversely affected by fluctuations in demand for, and prices of, rare earth products.

We expect to derive revenues, if any, from sale of rare earth and related minerals. Changes in demand for, and the market price of, these minerals could significantly affect our profitability. The value and price of our common stock and our financial results may be significantly and adversely affected by declines in the prices of rare earth minerals and products. Rare earth minerals and product prices may fluctuate and are affected by numerous factors beyond our control such as interest rates, exchange rates, inflation or deflation, fluctuation in the relative value of the U.S. dollar against foreign currencies on the world market, global and regional supply and demand for rare earth minerals and products, and the political and economic conditions of countries that produce rare earth minerals and products.

A prolonged or significant economic contraction in the United States or worldwide could put further downward pressure on market prices of rare earth minerals and products. Protracted periods of low prices for rare earth minerals and products could significantly reduce revenues and the availability of required development funds in the future. This could cause substantial reductions to, or a suspension of, REO production operations, impair asset values and if reserves are established on our prospects, reduce our proven and probable rare earth ore reserves.

In contrast, extended periods of high commodity prices may create economic dislocations that may be destabilizing to rare earth minerals supply and demand and ultimately to the broader markets. Periods of high rare earth mineral market prices generally are beneficial to our financial performance. However, strong rare earth mineral prices also create economic pressure to identify or create alternate technologies that ultimately could depress future long-term demand for rare earth minerals and products, and at the same time may incentivize development of otherwise marginal mining properties.

Permitting, licensing and approval processes are required for our operations and obtaining and maintaining these permits and licenses is subject to conditions which we may be unable to achieve.

Both mineral exploration and extraction require permits from various foreign, federal, state, provincial and local governmental authorities and are governed by laws and regulations, including those with respect to prospecting, mine development, mineral production, transport, export, taxation, labor standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Permits known to be required are (i) an operating plan for the conduct of exploration and development approved by the Texas General Land Office, (ii) an operating plan for production approved by the Texas General Land Office, (iii) various reporting to and approval by the Texas Railroad Commission regarding drilling and plugging of drill holes, and (v) reporting to and compliance with regulations of the Texas Commission of Environmental Quality. If we recover uranium from our mineral prospects, we will be required to obtain a source material license from the United States Nuclear Regulatory Commission. We may also be subject to the reporting requirements and regulations of the Texas Dept. of Health.

Such licenses and permits are subject to changes in regulations and changes in various operating circumstances. Companies such as ours that engage in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Issuance of permits for our activities is subject to the discretion of government authorities, and we may be unable to obtain or maintain such permits. Permits required for future exploration or development may not be obtainable on reasonable terms or on a timely basis. There can be no assurance that we will be able to obtain or maintain any of the permits required for the continued exploration or development of our mineral properties or for the construction and operation of a mine on our properties at economically viable costs. If we cannot accomplish these objectives, our business could face difficulty and/or fail.

We are subject to significant governmental regulations, which affect our operations and costs of conducting our business.

Current and future operations are and will be governed by laws and regulations, including:

- laws and regulations governing mineral concession acquisition, prospecting, development, mining and production;
- laws and regulations related to exports, taxes and fees;

- labor standards and regulations related to occupational health and mine safety;
- environmental standards and regulations related to waste disposal, toxic substances, land use and environmental protection; and
- other matters.

Companies engaged in exploration activities often experience increased costs and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. Failure to comply with applicable laws, regulations and permits may result in enforcement actions, including the forfeiture of claims, orders issued by regulatory or judicial authorities requiring operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or costly remedial actions. We may be required to compensate those suffering loss or damage by reason of our mineral exploration activities and may have civil or criminal fines or penalties imposed for violations of such laws, regulations and permits.

Existing and possible future laws, regulations and permits governing operations and activities of exploration companies, or more stringent implementation, could have a material adverse impact on our business and cause increases in capital expenditures or require abandonment or delays in exploration.

Legislation has been proposed that would significantly affect the mining industry.

Members of the U.S. Congress have repeatedly introduced bills which would supplant or alter the provisions of the Mining Law of 1872. If enacted, such legislation could change the cost of holding unpatented mining claims and could significantly impact our ability to develop mineralized material on unpatented mining claims. Such bills have proposed, among other things, to either eliminate or greatly limit the right to a mineral patent and to impose a federal royalty on production from unpatented mining claims. Although we cannot predict what legislated royalties might be, the enactment of these proposed bills could adversely affect the potential for development of unpatented mining claims and the economics of existing operating mines on federal unpatented mining claims. Passage of such legislation could adversely affect our financial performance.

Regulations and pending legislation governing issues involving climate change could result in increased operating costs, which could have a material adverse effect on our business.

A number of governments or governmental bodies have introduced or are contemplating regulatory changes in response to various climate change interest groups and the potential impact of climate change. Legislation and increased regulation regarding climate change could impose significant costs on us, our venture partners and our suppliers, including costs related to increased energy requirements, capital equipment, environmental monitoring and reporting and other costs to comply with such regulations. Any adopted future climate change regulations could also negatively impact our ability to compete with companies situated in areas not subject to such limitations. Given the emotion, political significance and uncertainty around the impact of climate change and how it should be dealt with, we cannot predict how legislation and regulation will affect our financial condition, operating performance and ability to compete. Furthermore, even without such regulation, increased awareness and any adverse publicity in the global marketplace about potential impacts on climate change by us or other companies in our industry could harm our reputation. The potential physical impacts of climate change on our operations are highly uncertain, and would be particular to the geographic circumstances in areas in which we operate. These may include changes in rainfall and storm patterns and intensities, water shortages, changing sea levels and changing temperatures. These impacts may adversely impact the cost, production and financial performance of our operations.

Our exploration and development activities are subject to environmental risks, which could expose us to significant liability and delay, suspension or termination of our operations.

The exploration, possible future development and production phases of our business will be subject to federal, state and local environmental regulation. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set out limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments, and a heightened degree of responsibility for companies and their officers, directors and employees. Future changes in environmental regulations, if any, may adversely affect our operations. If we fail to comply with any of the applicable environmental laws, regulations or permit requirements, we could face regulatory or judicial sanctions. Penalties imposed by either the courts or administrative bodies could delay or stop our operations or require a considerable capital expenditure. Although we intend to comply with all environmental laws and permitting obligations in conducting our business, there is a possibility that those opposed to exploration and mining will attempt to interfere with our operations, whether by legal process, regulatory process or otherwise.

Environmental hazards unknown to us, which have been caused by previous or existing owners or operators of the properties, may exist on the properties in which we hold an interest. It is possible that our properties could be located on or near the site of a Federal Superfund cleanup project. Although we will endeavor to avoid such sites, it is possible that environmental cleanup or other environmental restoration procedures could remain to be completed or mandated by law, causing unpredictable and unexpected liabilities to arise.

U.S. Federal Laws

The Comprehensive Environmental, Response, Compensation, and Liability Act (CERCLA), and comparable state statutes, impose strict, joint and several liability on current and former owners and operators of sites and on persons who disposed of or arranged for the disposal of hazardous substances found at such sites. It is not uncommon for the government to file claims requiring cleanup actions, demands for reimbursement for government-incurred cleanup costs, or natural resource damages, or for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by hazardous substances released into the environment. The Federal Resource Conservation and Recovery Act (RCRA), and comparable state statutes, govern the disposal of solid waste and hazardous waste and authorize the imposition of substantial fines and penalties for noncompliance, as well as requirements for corrective actions. CERCLA, RCRA and comparable state statutes can impose liability for clean-up of sites and disposal of substances found on exploration, mining and processing sites long after activities on such sites have been completed.

The Clean Air Act, as amended, restricts the emission of air pollutants from many sources, including mining and processing activities. Our mining operations may produce air emissions, including fugitive dust and other air pollutants from stationary equipment, storage facilities and the use of mobile sources such as trucks and heavy construction equipment, which are subject to review, monitoring and/or control requirements under the Clean Air Act and state air quality laws. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to incur capital costs in order to remain in compliance. In addition, permitting rules may impose limitations on our production levels or result in additional capital expenditures in order to comply with the rules.

The National Environmental Policy Act (NEPA) requires federal agencies to integrate environmental considerations into their decision-making processes by evaluating the environmental impacts of their proposed actions, including issuance of permits to mining facilities, and assessing alternatives to those actions. If a proposed action could significantly affect the environment, the agency must prepare a detailed statement known as an Environmental Impact Statement (EIS). The U.S. Environmental Protection Agency, other federal agencies, and any interested third parties will review and comment on the scoping of the EIS and the adequacy of and findings set forth in the draft and final EIS. This process can cause delays in issuance of required permits or result in changes to a project to mitigate its potential environmental impacts, which can in turn impact the economic feasibility of a proposed project.

The Clean Water Act (CWA), and comparable state statutes, imposes restrictions and controls on the discharge of pollutants into waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by the Environmental Protection Agency (EPA) or an analogous state agency. The CWA regulates storm water mining facilities and requires a storm water discharge permit for certain activities. Such a permit requires the regulated facility to monitor and sample storm water run-off from its operations. The CWA and regulations implemented thereunder also prohibit discharges of dredged and fill material in wetlands and other waters of the United States unless authorized by an appropriately issued permit. The CWA and comparable state statutes provide for civil, criminal and administrative penalties for unauthorized discharges of pollutants and impose liability on parties responsible for those discharges for the costs of cleaning up any environmental damage caused by the release and for natural resource damages resulting from the release.

The Safe Drinking Water Act (SDWA) and the Underground Injection Control (UIC) program promulgated thereunder, regulate the drilling and operation of subsurface injection wells. EPA directly administers the UIC program in some states and in others the responsibility for the program has been delegated to the state. The program requires that a permit be obtained before drilling a disposal or injection well. Violation of these regulations and/or contamination of groundwater by mining related activities may result in fines, penalties, and remediation costs, among other sanctions and liabilities under the SWDA and state laws. In addition, third party claims may be filed by landowners and other parties claiming damages for alternative water supplies, property damages, and bodily injury.

We could be subject to environmental lawsuits.

Neighboring landowners and other third parties could file claims based on environmental statutes and common law for personal injury and property damage allegedly caused by the release of hazardous substances or other waste material into the environment on or around our properties. There can be no assurance that our defense of such claims will be successful. A successful claim against us could have an adverse effect on our business prospects, financial condition and results of operation.

Land reclamation requirements for our properties may be burdensome and expensive.

Although variable depending on location and the governing authority, land reclamation requirements are generally imposed on mineral exploration companies (as well as companies with mining operations) in order to minimize long term effects of land disturbance.

Reclamation may include requirements to:

- control dispersion of potentially deleterious effluents;
- treat ground and surface water to drinking water standards; and
- reasonably re-establish pre-disturbance land forms and vegetation.

In order to carry out reclamation obligations imposed on us in connection with our potential development activities, we must allocate financial resources that might otherwise be spent on further exploration and development programs. We plan to set up a provision for our reclamation obligations on our properties, as appropriate, but this provision may not be adequate. If we are required to carry out unanticipated reclamation work, our financial position could be adversely affected.

Rare earth and beryllium mining presents potential health risks. Payment of any liabilities that arise from these health risks may adversely impact our Company.

Complying with health and safety standards will require additional expenditure on testing and the installation of safety equipment. Moreover, inhalation of certain minerals, such as beryllium can result in specific potential health risks ranging from acute pneumonitis, tracheobronchitis, and chronic beryllium disease to an increased risk of cancer. Symptoms of these diseases may take years to manifest. Failure to comply with health and safety standards could result in statutory penalties and civil liability. We do not currently maintain any insurance coverage against these health risks. The payment of any liabilities that arise from any such occurrences would have a material, adverse impact on our Company.

There may be challenges to the title of our mineral properties.

The Company will acquire most of its properties by unpatented claims or by lease from those owning the property. The lease of our Round Top property was issued by the State of Texas. The validity of title to many types of natural resource property depends upon numerous circumstances and factual matters (many of which are not discoverable of record or by other readily available means) and is subject to many uncertainties of existing law and its application. We cannot assure you that the validity of our titles to our properties will be upheld or that third parties will not otherwise invalidate those rights. In the event the validity of our titles is not upheld, such an event would have a material adverse effect on us.

Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

The mining industry is intensely competitive. Significant competition exists for the acquisition of properties producing or capable of producing, REE, gold or other metals. We may be at a competitive disadvantage in acquiring additional mining properties because we must compete with other individuals and companies, many of which have greater financial resources, operational experience and technical capabilities than us. We may also encounter increasing competition from other mining companies in our efforts to hire experienced mining professionals. Competition for exploration resources at all levels is currently very intense, particularly affecting the availability of manpower, drill rigs, mining equipment and production equipment. Increased competition could adversely affect our ability to attract necessary capital funding or acquire suitable producing properties or prospects for mineral exploration in the future.

We compete with larger, better capitalized competitors in the mining industry.

The mining industry is competitive in all of its phases, including financing, technical resources, personnel and property acquisition. We will require significant capital, technical resources, personnel and operational experience to effectively compete in the mining industry. Because of the high costs associated with exploration, the expertise required to analyze a project's potential and the capital required to develop a mine, larger companies with significant resources may have a competitive advantage over us. We face strong competition from other mining companies, some with greater financial resources, operational experience and technical capabilities than us. As a result of this competition, we may be unable to maintain or acquire financing, personnel, technical resources or attractive mining properties on terms we consider acceptable or at all.

Current economic conditions and capital markets are in a period of disruption and instability which could adversely affect our ability to access the capital markets, and thus adversely affect our business and liquidity.

The current economic conditions and financial crisis have had, and will continue to have, a negative impact on our ability to access the capital markets, and thus have a negative impact on our business and liquidity. The shortage of liquidity and credit combined with substantial losses in worldwide equity markets could lead to an extended worldwide recession. We may face significant challenges if conditions in the capital markets do not improve. Our ability to access the capital markets has been and continues to be severely restricted at a time when we need to access such markets, which could have a negative impact on our business plans. Even if we are able to raise capital, it may not be at a price or on terms that are favorable to us. We cannot predict the occurrence of future financial disruptions or how long the current market conditions may continue.

Our resources may not be sufficient to manage our expected growth; failure to properly manage our potential growth would be detrimental to our business.

We may fail to adequately manage our anticipated future growth. Any growth in our operations will place a significant strain on our administrative, financial and operational resources, and increase demands on our management and on our operational and administrative systems, controls and other resources. We cannot assure you that our existing personnel, systems, procedures or controls will be adequate to support our operations in the future or that we will be able to successfully implement appropriate measures consistent with our growth strategy. As part of this growth, we may have to implement new operational and financial systems, procedures and controls to expand, train and manage our employee base, and maintain close coordination among our staff. We cannot guarantee that we will be able to do so, or that if we are able to do so, we will be able to effectively integrate them into our existing staff and systems.

If we are unable to manage growth effectively, our business, operating results and financial condition could be materially and adversely affected. As with all expanding businesses, the potential exists that growth will occur rapidly. If we are unable to effectively manage this growth, our business and operating results could suffer. Anticipated growth in future operations may place a significant strain on management systems and resources. In addition, the integration of new personnel will continue to result in some disruption to ongoing operations. The ability to effectively manage growth in a rapidly evolving market requires effective planning and management processes. We will need to continue to improve operational, financial and managerial controls, reporting systems and procedures, and will need to continue to expand, train and manage our work force.

We may experience difficulty attracting and retaining qualified management to meet the needs of our anticipated growth, and the failure to manage our growth effectively could have a material adverse effect on our business and financial condition.

Competition for additional qualified management is intense, and we may be unable to attract and retain additional key personnel, or to attract and retain personnel on terms acceptable to us. Management personnel are currently limited and they may be unable to manage our expansion successfully and the failure to do so could have a material adverse effect on our business, results of operations and financial condition. We have not entered into non-competition agreements. As our business is substantially dependent upon the directors, executive officers and consultants, the lack of non-competition agreements poses a significant risk to us in the event such persons were to resign or be terminated from such positions. Under such circumstances, such persons may provide confidential information and key contacts to our competitors and we may have difficulties in preventing the disclosure of such information. Such disclosure would have a material adverse effect on our business and operations.

The loss of Marc LeVier or Anthony Garcia could adversely impact the Company.

The nature of our business, including our ability to continue our exploration and development activities, depends, in large part, on the efforts of Marc LeVier and Anthony Garcia. The loss of either Messrs. LeVier or Garcia could have a material adverse effect on our business. We do not maintain “key man” life insurance policies on any of our officers or employees.

Our failure to timely file certain periodic reports with the SEC poses significant risks to our business, each of which could materially and adversely affect our financial condition and results of operations.

We filed a Form 10 on October 30, 2008, pursuant to which we registered our common stock under Section 12(g) of the Securities Exchange Act of 1934, as amended (“Exchange Act”). The Form 10-12G became effective by operation of law 60 days after it was filed. Subsequent thereto, we did not timely file with the SEC our periodic reports, including our Forms 10-Q for the periods ended November 30, 2008 through November 30, 2010, and our Forms 10-K for the periods ended August 31, 2008, August 31, 2009 and August 31, 2010. Consequently, we were not compliant with the periodic reporting requirements under the Exchange Act. Our failure to timely file those and possibly future periodic reports with the SEC could subject us to enforcement action by the SEC and shareholder lawsuits. Any of these events could materially and adversely affect our financial condition and results of operations and our ability to register with the SEC public offerings of our securities for our benefit or the benefit of our security holders. Additionally, our failure to file our past periodic reports and future periodic reports has resulted in and could result in investors not receiving adequate information regarding the Company with which to make investment decisions.

Risks Relating to Our Securities

Our stock price is highly volatile.

The market price of our common stock has fluctuated and may continue to fluctuate. These fluctuations may be exaggerated since the trading volume of its common stock is volatile, limited, and sporadic. These fluctuations may or may not be based upon any business or operating results. Our common stock may experience similar or even more dramatic price and volume fluctuations in the future.

The market for the common stock is limited, sporadic and volatile. Any failure to develop or maintain an active trading market could negatively affect the value of our shares and make it difficult or impossible for you to sell your shares.

Our common stock is currently listed for quotation on the OTCQB market tier of the OTC Markets, Inc. a centralized quotation service maintained by OTC Markets, Inc. that collects and publishes market maker quotes for over-the-counter securities. Although our common stock is quoted on the OTCQB, a regular trading market for the securities may not be sustained in the future. Quotes for stocks listed on the OTCQB generally are not listed in the financial sections of newspapers and newspapers often devote very little coverage to stocks quoted solely on the OTCQB. Accordingly, prices for, and coverage of, securities quoted solely on the OTCQB may be difficult to obtain. In addition, stocks quoted solely on the OTCQB tend to have a limited number of market makers and a larger spread between the bid and ask prices than those listed on an exchange. All of these factors may cause holders of our common stock to be unable to resell their securities at any price. This limited trading also could decrease or eliminate our ability to raise additional funds through issuances of our securities. There is no market for the Warrants.

Failure to develop or maintain an active trading market could negatively affect the value of our shares and make it difficult for you to sell your shares or recover any part of your investment in us. Even if an active market for our common stock does develop, the market price of our common stock may be highly volatile. In addition to the uncertainties relating to our future operating performance and the profitability of our operations, factors such as variations in our interim financial results, or various, as yet unpredictable factors, many of which are beyond our control, may have a negative effect on the market price of our common stock. Accordingly, there can be no assurance as to the liquidity of any active markets that may develop for our common stock, the ability of holders of our common stock to sell our common stock, or the prices at which holders may be able to sell our common stock.

The sale of substantial shares of our common stock or the issuance of shares upon exercise of our warrants will cause immediate and substantial dilution to our existing stockholders and may depress the market price of our common stock.

In order to provide capital for the operation of our business, we may enter into additional financing arrangements. These arrangements may involve the issuance of new common stock, preferred stock that is convertible into common stock, debt securities that are convertible into common stock or warrants for the purchase of common stock. Any of these items could result in a material increase in the number of shares of common stock outstanding which would in turn result in a dilution of the ownership interest of existing common shareholders. In addition, these new securities could contain provisions, such as priorities on distributions and voting rights, which could affect the value of our existing common stock.

We have approximately 34.6 million shares of common stock outstanding. In addition to our common stock, we have (i) Class A Warrants that may be exercised into 1,418,750 shares of common stock exercisable at \$0.50 per share, (ii) Class B Warrants that may be exercised into 740,625 shares of common stock exercisable at \$0.75 per share, (iii) warrants that may be exercised into 7,840,000 shares of common stock exercisable at \$2.50 per share, (iv) warrants that may be exercised into 1,497,000 shares of common stock at \$2.50 per share, (v) warrants that may be exercised into 250,000 of common stock at \$5.00 per share, (vi) warrants that may be exercised into 33,334 shares of common stock at \$3.75 per share, and (vii) options that may be exercised into 4,425,000 shares of common stock at \$1.85 to \$4.70 issued to Directors and Officers. The issuance of shares upon exercise of these options and warrants may result in substantial dilution to the interests of other stockholders and may adversely affect the market price of our common stock.

A low market price may severely limit the potential market for our common stock.

An equity security that trades below a certain price per share is subject to SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any non-Nasdaq equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (a "penny stock"). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors. For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer.

Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. In the event our common stock trades at a price of less than \$5.00 per share, the additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our common stock.

We do not currently intend to pay cash dividends.

We have not declared any dividends since incorporation and do not anticipate that we will do so in the foreseeable future. Our present policy is to retain all available funds for use in our operations and the expansion of our business. Payment of future cash dividends, if any, will be at the discretion of our board of directors and will depend on our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant. Accordingly, investors will only see a return on their investment if the value of our securities appreciates.

Control by current shareholders.

The current shareholders have elected the directors and the directors have appointed current executive officers to serve the Company. The voting power of these shareholders could also discourage others from seeking to acquire control of us through the purchase of our common stock which might depress the price of our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. DESCRIPTION OF PROPERTY

Executive and Field Offices

Our headquarters are located at 304 Inverness Way South, Suite 365, Englewood, Colorado 80112. We also maintain a 12,500 square foot office warehouse in El Paso, Texas to store and process rock samples and a 2,400 square foot satellite office located in Sierra Blanca, Texas. We believe that these facilities are suitable for our current needs.

Round Top Project

We are currently in the exploration stage and have not established that our Round Top Project contains proven or probable reserves as defined under SEC Guide 7.

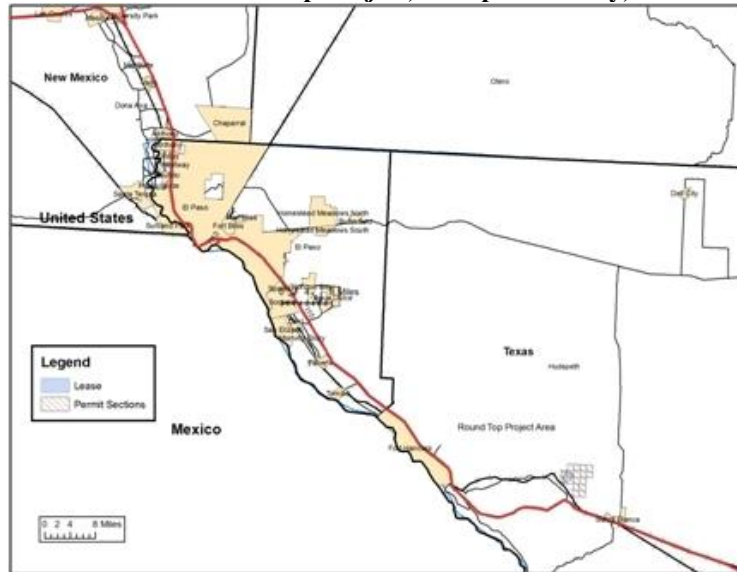
Location, Accessibility, Local Resources, and Infrastructure

Round Top Mountain is a small mountain, one of a group of four that comprises the Sierra Blanca Mountains, located in Hudspeth County, Texas approximately eight miles northwest of the town of Sierra Blanca. The Round Top Project is reached by a private, dirt road that turns north off Interstate 10. The access road is approximately one mile west of the town of Sierra Blanca.

The Round Top Project was initially developed in the late 1980's as a beryllium resource. Several pieces of equipment were present at the property when the Company acquired the lease. The previous operators had also built out several roads at the prospect site. We will continue to build roads at the property site as warranted.

There exists on the Round Top Project a 1,115 foot, 10 foot by 10 foot decline from the surface into Round Top Mountain. There are steel sets every five feet, in some cases less, and the entire working is lagged with timber. There are "escape holes" at intervals to allow personnel to avoid equipment. The escape holes are all in good operating condition. There is also a 36 foot steel ventilation line in place that runs for approximately 75 feet into the mountain. There is a 125 hp axial plane ventilation fan in place.

Location of Round Top Project, Hudspeth County, Texas



Source: Texas Rare Earth Resources, 2011

Acquisition and Ownership

In November 2007, Standard Silver purchased the prospecting permits M-108543, M-108545, and M-108546 covering Sections 5, 7, 8, and 18 of Township 7, Block 71, and most of Sections 12 and 13 of Township 7, Block 72, Hudspeth County, Texas. In September 2009 this land position was expanded when the prospecting permits for Sections 3, 4, 9, 10, 16, 17, 19, 20, 21, 28, 29, 32 and 33 of Township 7, Block 71 were acquired. In August 2010, Standard Silver entered into a mining lease M-111331 with the Texas General Land Office covering Sections 7 and 18 of Township 7, Block 71 and Section 12 of Block 72, covering approximately 860 acres in Hudspeth County, Texas.

The mining lease issued by the Texas General Land Office gives us the right to explore, produce, develop, mine, extract, mill, remove, and market beryllium, uranium, rare earth elements, all other base and precious metals, industrial minerals and construction materials and all other minerals excluding oil, gas, coal, lignite, sulfur, salt, and potash. The term of the lease is twenty years so long as minerals are produced in paying quantities.

Under the lease, we will pay the State of Texas a lease bonus of \$197,800; \$35,000 which was paid upon the execution of the lease, \$65,000 which was paid when we submitted our initial plan of operations to conduct exploration, and \$97,800 of which will be due when we submit a supplemental plan of operations to conduct mining. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$500,000 minimum advance royalty. Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (6 ¼%) of the market value of all other minerals sold from Round Top.

If production of paying quantities of minerals has not been obtained on or before August 17, 2011, we may pay the State of Texas a delay rental to extend the term of the lease in an amount equal to \$44,718, which was paid as of August 31, 2011. Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
August 17, 2012 – 2014	\$ 50	\$ 44,718
August 17, 2015 – 2019	\$ 75	\$ 67,077
August 17, 2020 – 2024	\$ 150	\$ 134,154
August 17, 2025 – 2029	\$ 200	\$ 178,873

Geology and Metallurgy

The Round Top project area lies within the Texas Lineament Zone or Trans-Pecos Trend. The lineament is a northwest trending structural zone where Laramide thrust faulting followed by basin and range normal faulting were active. Tertiary igneous activity is also associated with the lineament zone, both intrusive and extrusive.

Locally the project area is characterized by five Tertiary microgranite bodies that intruded Cretaceous sedimentary rocks. The microgranites occur as laccoliths, mushroom-shaped bodies emplaced at relatively shallow depths. At the current erosional levels, lacoliths form resistant peaks with relief up to 2,000 feet. The microgranites are enriched with various metals which may or not be economical to recover. The rare earth elements are located with-in the intrusive rhyolite body.

Tertiary Diorites which predates the microgranites intruded the cretaceous section. The diorites occur as sills, five to 100 feet thick and less frequently as dikes and plugs. Sedimentary rocks exposed in the area are lower and middle cretaceous limestones shales and sandstones. The limestone, where it is in contact with the microgranites, is the hosts for Beryllium mineralization.

The Round Top Project was initially developed in the late 1980's as a beryllium resource. During the course of the beryllium exploration, approximately 200 drill holes penetrated varying thicknesses of the rhyolite volcanic rock that makes up the mass of Round Top Mountain and caps the beryllium-uranium deposits which occur in the underlying limestone; some 100 more were drilled on Little Round Top, Sierra Blanca and Little Blanca Mountains.

The Texas Bureau of Economic Geology, working with the project geologists, conducted an investigation of the rhyolite to better understand its rare metal content. This research shows that the rhyolite laccoliths at Sierra Blanca are enriched in a variety of REEs and other rare elements such as tantalum, niobium, thorium and lithium. They analyzed a series of samples from outcrop and drill holes and studied the geochemistry and mineralogy of the rhyolite. The results of their research were published in the GSA, Geological Society of America, Special Paper 246, 1990. The research states that the thorium is presently in the rhyolite, and generally is more difficult to separate from the adjoining rock and is slightly radioactive.

On October 27, 2011, the Company announced that it had completed Phase I of its metallurgical testing and characterization. The testing performed by Mountain States laboratory reconfirmed that the rare earth minerals are finely disseminated throughout the rhyolite host rock. Based on the initial ore characterization, the testing reconfirms the simplistic rare earth element mineral associations, which suggests favorable metallurgical processing options. These results also suggest that the mineralogy should provide favorable low costs for metallurgical processing, which the Company believes will provide a significant competitive advantage. The Company has contracted Phase II of the metallurgical characterization to Mountain States laboratory. Phase II is currently underway and is focused on pre-concentration evaluation and other diagnostic testing. This program is expected to provide the basis for the Company's scoping study, which is targeted to be completed in 2012.

The Round Top Project rhyolite requires further evaluation of its mineralogical makeup and economic modeling to determine the appropriate course for potential future commercial development. However, the size of this rhyolite deposit, the high percentage (67%) of heavy rare earth elements to the total rare earth elements and the projected increase in HREE demand could result in Round Top becoming a reliable and long term domestic source for these increasingly strategic metals.

Project Exploration History

The Round Top rare earths and uranium-beryllium prospects were initially drilled in 1984 and 1985, during which time the ore body known as the "West End Ore Zone" was discovered by Cabot Corporation. In subsequent years, Cyprus Minerals Corporation took over the exploration activities. Cyprus drilled additional exploration holes and also put an adit into the ore zone where 1,115 feet of underground workings were driven. Cyprus developed the underground workings in order to obtain bulk samples for pilot plant testing and beryllium oxide concentrate generation. Cyprus ultimately put the project on hold as a result of poor beryllium market conditions. Cyprus eventually merged with Phelps Dodge Corporation and the new company allowed the lease with the state of Texas to lapse.

In March 2011, the Company completed an analysis of 1,103 drill samples from the 1984-88 drilling program initially conducted on the Round Top Project by third party operators. All or a portion of forty-six out of an estimated two hundred fifty existing drill holes have been re-logged and re-analyzed. The rare earth element and other metals are consistent with the original study by the Texas Bureau of Geology that was published in the Geological Society of America, Special Paper 246 in 1990. This study first described the rare metal content of the large mass of intrusive igneous rock that makes up the body of Round Top Mountain, and is the basis for our interest in this deposit. The nine drill holes cited below were selected because they are widely distributed and roughly define an area approximately six thousand feet by four thousand feet within the approximate seven thousand foot known diameter of the intrusive rhyolite body. They intersected the entire body of the rhyolite.

Current and Planned Exploration Activities

In April 2011, the Texas General Land Office approved the Company's operation plan for the Round Top Project. The plan calls for the completion of approximately 50 drill holes totaling at least 12,000 feet of reverse circulation drilling. The Company began exploratory drilling on the 50 drill whole sites in July 2011. The Company expects the drill program to span the next three to six months while concurrent testing activities will be ongoing.

The Company has since expanded the exploration drilling program to include up to 160,000 ft. with approximately 180 drill hole locations. This expansion has been approved by the Texas General Land Office. The program is intended to achieve development, infill and exploration drilling objectives to support a scoping level and pre-feasibility study for the rare earths opportunity. The program included 4,000 feet of Core drilling to establish a high level of confidence in the resource, provide physical engineering data and additional metallurgical sample.

Drilling on the Round Top Project is planned to twin certain of the historic drill holes, infill drill between existing holes and step out drill beyond the known area to better define the margins of the deposit. Coverage is planned to be adequate to begin block modeling of the deposit. The Company has designated the sites for several holes on adjacent Little Round Top Mountain, and several additional holes are planned to test the deeper potential. This drilling is expected to produce at least 150 tonnes of sample, all of which will be stored and used for metallurgical testing.

Importantly, aside from the large scale-low grade potential, there is geologic evidence that suggests that higher grade concentrations of these elements may be present in the deeper parts of this mineralizing system. Only the upper parts of the rhyolite body have been drilled and there was no thought given to developing the potential rare earth resources at the time of the Cabot-Cyprus project.

Exploration Costs

To date we have incurred exploration costs at the Round Top Project of approximately \$1.8 million. In the fiscal year ending August 31, 2012 we anticipate that total exploration costs will be approximately \$8.8 million, with the current budget of exploration expenditures on the project as follow:

Expenditure Description	
Direct drilling and drilling support costs	\$ 5,500,000
Metallurgical testing & pilot plant design	\$ 1,000,000
Scoping & environmental studies	\$ 1,000,000
Payroll, payroll taxes, benefits and field travel	\$ 650,000
Other exploration costs	\$ 650,000

Other Properties

In addition to the Round Top Project, we also own title to 12 unpatented mining claims, the Macho group, comprising 240 acres covering the Old Dude Mine, located in Sierra County, New Mexico. The Old Dude Mine has a production history of silver, lead, zinc and gold dating from the 1890's. Another 18 unpatented mining claims and fractional claims, the HA group, comprising 274 acres cover an andesite hosted vein system similar to and some 10 miles to the southwest of the Macho District. These claims surround another historic producer, the Graphic Mine. The geologic setting at the HA property is the same as the Macho.

We do not consider these prospects to be material to the Company's operations, and at the present time there is no exploration or development activity scheduled for these New Mexico properties.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company may become involved in litigation relating to claims arising out of its operations in the normal course of business. No legal proceedings, government actions, administrative actions, investigations or claims are currently pending against us or involve the Company. There are no proceedings in which any of the directors, officers or affiliates of the Company, or any registered or beneficial stockholder, is an adverse party or has a material interest adverse to that of the Company.

ITEM 4. [REMOVED AND RESERVED]

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is listed for quotation on the OTCQB market tier of the OTC Market Group, under the symbol "TRER." The market for our common stock on the OTCQB is limited, sporadic and highly volatile. The quotations reflect inter-dealer prices without retail mark-up, mark-down or commission and may not represent actual transactions. The following table sets forth the range of high and low bid prices during the periods indicated.

Fiscal Year 2012	High	Low
Quarter ended November 30, 2011 (through November 11, 2011)	\$ 2.55	\$ 1.50

Fiscal Year 2011	High	Low
Quarter ended August 31, 2011	\$ 8.20	\$ 1.80
Quarter ended May 31, 2011	\$ 10.00	\$ 2.85
Quarter ended February 28, 2011	\$ 3.99	\$ 2.70
Quarter ended November 30, 2010	\$ 3.05	\$ 0.65

Fiscal Year 2010	High	Low
Quarter ended August 31, 2010	\$ 1.02	\$ 0.25
Quarter ended May 31, 2010	\$ 0.99	\$ 0.55
Quarter ended February 28, 2010	\$ 1.05	\$ 0.36
Quarter ended November 30, 2009	\$ 1.08	\$ 0.37

The last bid price of our common stock on November 12, 2011 was \$1.68 per share.

Holders

The approximate number of holders of record of our common stock as of November 11, 2011 was 509.

Dividends

We have not paid any cash dividends on our equity security and our board of directors has no present intention of declaring any cash dividends. We are not prohibited from paying any dividends pursuant to any agreement or contract.

Repurchase of Securities

During the fiscal year ended August 31, 2011, neither the Company nor any affiliate of the Company repurchased common shares of the Company registered under Section 12 of the Securities Exchange Act of 1934, as amended.

Securities Authorized for Issuance under Equity Compensation Plans

In September 2008, the board of directors adopted our 2008 Stock Option Plan (the “2008 Plan”), which was also approved by our shareholders in September 2008. In May 2011, the board of directors adopted an amendment to our 2008 Plan (the “Amended 2008 Plan”), which was also approved by our shareholders in August 2011. The Amended 2008 Plan increased the number of shares available for grant from 2,000,000 to up to 5,000,000 shares of our common stock for awards to our officers, directors, employees and consultants. Other provisions of the Amended 2008 Plan remain the same as under our 2008 Plan. As of August 31, 2011, a total of 575,000 shares of our common stock remained available for future grants under the Amended 2008 Plan. The following table sets forth certain information as of August 31, 2011 concerning our common stock that may be issued upon the exercise of options or warrants or pursuant to purchases of stock under the Amended 2008 Plan:

Plan Category	(a) Number of Securities to be Issued Upon the Exercise of Outstanding Options and Warrants	(b) Weighted-Average Exercise Price of Outstanding Options and Warrants	(c) Available for Future Issuance Under Equity Compensation Plans [Excluding Securities Reflected in Column (a)]
Equity compensation plans approved by stockholders	4,425,000	\$2.52	575,000
Equity compensation plans not approved by stockholders	--	N/A	--
Total	4,425,000	\$2.52	575,000

Recent Sales of Unregistered Securities During Fiscal 2011

Outside of the below recent sales of unregistered securities, all other sales of unregistered securities during the fiscal year ended August 31, 2011, were previously reported under the Company’s quarterly reports on Form 10-Q and Current Reports on Form 8-K.

Date	Description	Number	Purchaser	Proceeds (\$)	Consideration	Exemption (A)
June 2011	Common Stock	443,750	Private Placement Investors (4)	\$257,188	Cash	4(2)
July 2011	Common Stock	42,500	Private Placement Investor (1)	\$21,250	Cash	4(2)
August 2011	Common Stock	93,750	Private Placement Investor (1)	\$54,688	Cash	4(2)

(A) With respect to sales designated by “Sec. 4(2),” these shares were issued pursuant to the exemption from registration contained in to Section 4(2) of the Securities Act of 1933 as privately negotiated, isolated, non-recurring transactions not involving any public offer or solicitation. Each purchaser represented that such purchaser’s intention to acquire the shares for investment only and not with a view toward distribution. We requested our stock transfer agent to affix appropriate legends to the stock certificate issued to each purchaser and the transfer agent affixed the appropriate legends. Each purchaser was given adequate access to sufficient information about us to make an informed investment decision. None of the securities were sold through an underwriter and accordingly, there were no underwriting discounts or commissions involved.

ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and related notes appearing elsewhere in this Annual Report. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. See "Cautionary Note Regarding Forward-Looking Statements." Our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including, but not limited to, those set forth under "Risk Factors" and elsewhere in this Annual Report

Overview

We are a mining company engaged in the business of the acquisition and development of mineral properties. We currently hold a twenty year lease, executed in August 2010, to explore and develop an 860 acre rare earth uranium-beryllium prospect located in Hudspeth County, Texas known as the Round Top Project and prospecting permits covering an adjacent 9,345 acres. We also hold prospecting permits on certain other mineral properties located in Texas and New Mexico. We are currently not evaluating any additional prospects, and intend to focus the primarily on the development of our Round Top Project. We currently have limited operations and have not established that our Round Top Project contains any proven or probable reserves under SEC Industry Guide 7. The strategic necessity of developing rare earth resources, the compelling fundamentals of uranium and the future potential for beryllium in the nuclear fuel cycle all present what we believe to be excellent opportunities for us.

We intend to (I) conduct a geologic and radiometric study of the surface of the rhyolite to define areas where beryllium, rare earth minerals and thorium are concentrated in fractures, breccias or magmatic segregations, and to understand the distribution of uranium in this rock (ii) conduct radiation and geologic mapping underground to better define the distribution and habit of occurrence of the uranium, (iii) re-log drill samples that are stored on the property with emphasis on uranium and rare metal distribution (iv) conduct a sampling and laboratory examination program to determine the precise mineralogy of the rare elements in the rhyolite and (v) use these results to develop a drill program to test higher grade rare earth targets deeper in the rhyolite.

We currently do not have any producing properties and consequently, we have no current operating income or cash flow and have not generated any revenues. Further exploration will be required before a final evaluation as to the economic and practical feasibility of any of our properties is determined. We plan to raise additional capital to exploit current projects, including the Round Top Project, and to acquire, evaluate, and develop new properties.

Between 2003 and 2007, our operations were minimal. In 2007 we acquired (i) interests in two mineral properties, the Old Hadley and the Macho Mines, located in southwestern New Mexico, (ii) a 28.5% interest in La Cañada Mining and Exploration LLC ("La Cañada"), (iii) the King Mine located in Boise County, Idaho, and (iv) rights to lease the Round Top Beryllium Deposit ("Round Top Deposit") located in Hudspeth County, Texas. In June 2008, the Old Hadley and Round Top Deposit mines were assigned to La Cañada in exchange for La Cañada's commitment to finance and develop the assigned properties. In September 2008, La Cañada assigned these two mines back to us. In October 2009, La Cañada redeemed our 28.5% interest. In January 2009, the Company relinquished all of its rights to the King Mine.

Liquidity and Capital Resources

As of August 31, 2011, we had a working capital surplus of approximately \$16,344,000. We believe we have sufficient working capital to continue our planned operations through calendar year 2012. We will need to raise additional funding subsequent to fiscal year 2012 to continue our exploration and development activities. As of the date hereof, the Company is not able to quantify the amount of capital needed to fund its working capital needs after fiscal 2012, nor is it able to quantify the amount of capital needed to develop the Round Top Project. The amount of capital will be dependent upon the Company's exploration results and business strategy to exploit the Round Top Project. The Company intends to raise additional working capital through best efforts debt or equity financing, as we have no firm commitments for equity capital investments to any established credit facility. No assurance can be given that additional financing will be available on terms acceptable to the Company. The Company's viability is contingent upon its ability to receive external financing. Failure to obtain sufficient working capital may result in management resorting to the sale of assets or otherwise curtailing operations.

During the twelve month period ending August 31, 2011, we invested approximately \$99,000 in mineral properties, including \$65,000 paid in April with the submission and approval of our Initial Plan of Operations. We also expensed a payment of approximately \$45,000 in August for our "delay rental" payment to the State of Texas. In September and October 2011, we were required to pay approximately \$10,500 for prospecting permits to the State of Texas for our Round Top Project.

During the twelve months ended August 31, 2011, we purchased equipment and mining software totaling approximately \$90,000 and approximately \$38,000 for 2 vehicles for our Round Top Project. In June 2011, we established our corporate office in Englewood, Colorado and spent approximately \$83,000 for office furniture and equipment.

In August 2011, our Board of Directors unanimously approved our operating budget for the twelve month fiscal year ending August 31, 2012. Over the next twelve months we plan to conduct significant geological studies, sampling and drilling at our Round Top property. The timing of these expenditures is dependent upon a number of factors, including the availability of drilling contractors. We estimate our exploration expenditures will total approximately \$8,800,000 which includes expenditures for, among other things, drilling of samples, metallurgical testing, scoping studies and appropriate staff and consulting expenses. Our exploration activities will be carried out by our geologic staff and such qualified outside contractors as is necessary. Our capital expenditures for the next twelve months will be insignificant.

We estimate that our general and administrative expenditures, which will be spent ratably over the next twelve months, to total approximately \$1,600,000. Payroll, payroll taxes, benefits and associated travel for employees is estimated to be \$925,000 over this period of time. We estimate that we will incur professional fees of approximately \$200,000 over the next twelve months. These fees will be primarily associated with the audit and reviews of our financial statements, legal fees and public relations. The remainder of our general and administrative expenditures will be for items necessary for us to conduct our general business affairs.

We have Class A Warrants that may be exercised at \$0.50 per share, into 1,418,750 shares of common stock, Class B Warrants that may be exercised, at \$0.75 per share, into 740,625 shares of common stock. These warrants expire on December 31, 2011.

Between January and June 2011, we entered into a series of transactions with accredited investors pursuant to which we sold an aggregate of 7,840,000 shares of our common stock at \$2.50 for gross proceeds of \$19,600,000 and five year warrants to purchase up to 7,840,000 shares of common stock, exercisable at \$2.50 per share. We intend to use proceeds from this financing to fund working capital needs for the balance of fiscal year 2012.

Results of Operations

Fiscal Years ended August 31, 2011 and 2010

General & Revenue

We had no operating revenues during the fiscal years ended August 31, 2011 and 2010. We are not currently profitable. As a result of ongoing operating losses, we had an accumulated deficit of approximately \$8,443,000 as of August 31, 2011.

Operating expenses and resulting losses from Operations.

We incurred exploration costs for the fiscal years ended August 31, 2011 and 2010, in the amount of approximately \$1,292,000 and \$127,000, respectively. The expenditures for the fiscal year ended 2011 were primarily for surveys, drilling and related geological consulting fees for our Round Top project. The fiscal year ended 2010 expenditures were primarily related to outside consulting services relating to our Round Top project. The increase in exploration costs was the result of us initiating exploration on our Round Top Project in the fiscal year ended 2011.

Our general and administrative expenses for the fiscal years ended August 31, 2011 and 2010, respectively, were approximately \$5,755,000 and \$425,000. For the fiscal year ended August 31, 2011, this amount included non-cash expenses of approximately \$1,181,000 of stock compensation for Public Relations services, approximately \$2,500,000 of stock compensation to members of our Board of Directors and approximately \$880,000 of stock compensation to three of our executive officers. The remaining expenditures totaling approximately \$1,194,000 were primarily for investor relations, professional fees associated with the audits of our financial statements, payroll and related taxes and benefits, legal fees and other general and administrative expenses necessary for our operations. Our general and administrative expenses for the fiscal year ended August 31, 2010 were primarily for professional fees associated with the audits of our financial statements, director stock-based compensation in the amount of \$249,000 and other general and administrative expenses necessary for our operations.

We had losses from operations for the fiscal years ended August 31, 2011 and 2010, respectively, totaling approximately \$7,047,000 and \$552,000 and net losses for the fiscal years ended August 31, 2011 and 2010, respectively, of \$7,020,000 and \$558,000. We earned interest and other income in the amount of approximately \$28,000 for the fiscal year ended August 2011.

Contractual Commitments

In August 2010, we entered into a mining lease with the Texas General Land Office covering Sections 7 and 18 of Township 7, Block 71 and Section 12 of Block 72, covering approximately 860 acres in Hudspeth County, Texas. Under the lease, we will pay the State of Texas a lease bonus of \$197,800, \$35,000 of which was paid upon the execution of the lease, \$65,000 which was paid in April 2011 when we submitted our initial plan of operations to conduct exploration, and \$97,800 of which will be due when we submit a supplemental plan of operations to conduct mining. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$500,000 minimum advance royalty. Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (6 ¼%) of the market value of all other minerals removed and sold from Round Top.

Since production of paying quantities of minerals was not obtained on or before August 17, 2011, we paid the State of Texas a delay rental to extend the term of the lease of approximately \$45,000. Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
August 17, 2012 – 2014	\$ 50	\$ 44,718
August 17, 2015 – 2019	\$ 75	\$ 67,077
August 17, 2020 – 2024	\$ 150	\$ 134,155
August 17, 2025 – 2029	\$ 200	\$ 178,873

Other Contractual Commitments

From time to time, we may enter into employee agreements with certain key employees. We currently have employment agreements with our CEO and CFO.

We currently have leases with landlords for our corporate headquarters in Englewood, Colorado, an office warehouse in El Paso, Texas and an administrative office in Sierra Blanca. These leases expire on dates from December 2012 through May 2014.

Off-Balance Sheet Arrangements

For the fiscal years ended August 31, 2011 and 2010, we did not have any Off-Balance Sheet Arrangements.

Recently Issued Accounting Pronouncements

Fair value of Financial Instruments - The Company will be required to adopt ASC topic 820, "Fair Value Measurements and Disclosures" (ASC 820), formerly SFAS No. 157 "Fair Value Measurements," effective September 1, 2009. ASC 820 defines "fair value" as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Management does not expect there to be any impact relating to the adoption of ASC 820 to the Company's financial statements.

ASC 820 also describes three levels of inputs that may be used to measure fair value:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Financial instruments consist principally of cash, prepaid expenses, accounts payable, and accrued liabilities. The carrying amounts of such financial instruments in the accompanying balance sheets approximate their fair values due to their relatively short-term nature. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

Accounting Standards Codification - In June 2009, the FASB issued ASC 105 *Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. The FASB Accounting Standards Codification (the "Codification") has become the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in accordance with Generally Accepted Accounting Principles ("GAAP"). All existing accounting standard documents are superseded by the Codification and any accounting literature not included in the Codification will not be authoritative. Rules and interpretive releases of the SEC issued under the authority of federal securities laws, however, will continue to be the source of authoritative generally accepted accounting principles for SEC registrants. Effective September 1, 2009, all references made to GAAP in our financial statements will include references to the new Codification. The Codification does not change or alter existing GAAP and, therefore, will not have an impact on our financial position, results of operations or cash flows.

The Company does not expect the adoption of recently issued accounting pronouncements to have a significant impact on the Company's results of operations, financial position, or cash flow.

Critical Accounting Estimates

Management's discussion and analysis of financial condition and results of operations is based on our financial statements, which have been prepared in accordance with GAAP. Preparation of financial statements requires management to make assumptions, estimates and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and the related disclosures of contingencies. Management bases its estimates on various assumptions and historical experience, which are believed to be reasonable; however, due to the inherent nature of estimates, actual results may differ significantly due to changed conditions or assumptions. On a regular basis, management reviews the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are fairly presented in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such differences could be material. Management believes that the following critical accounting estimates and judgments have a significant impact on our financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
Texas Rare Earth Resources Corp
Englewood, Colorado

We have audited the accompanying balance sheets of Texas Rare Earth Resources Corp(the "Company") as of August 31, 2011 and 2010, and the related statements of operations, cash flows, and shareholders' equity for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits include consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Texas Rare Earth Resources Corp. as of August 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

/S/ LBB & ASSOCIATES LTD., LLP
October 17, 2011

Texas Rare Earth Resources Corp
BALANCE SHEETS

	<u>August 31, 2011</u>	<u>August 31, 2010</u>
ASSETS		
CURRENT ASSETS		
Cash & cash equivalents	\$ 16,886,066	\$ 74,434
Prepaid expenses and other current assets	<u>37,579</u>	<u>-</u>
Total current assets	16,923,645	74,434
Property and equipment, net	217,519	26,559
Mineral properties	143,356	44,539
Deposits	<u>16,525</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 17,301,045</u>	<u>\$ 145,532</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 579,807	\$ 20,624
Notes and interest payable to related parties	<u>-</u>	<u>90,448</u>
Total current liabilities	579,807	111,072
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
Preferred stock, par value \$0.001; 10,000,000 shares authorized, no shares issued and outstanding as of August 31, 2011 and 2010	-	-
Common stock, par value \$0.01; 100,000,000 shares authorized, 34,596,260 and 23,670,260 issued and outstanding as of August 31, 2011 and 2010, respectively	345,964	236,703
Additional paid-in capital	24,818,022	1,220,391
Accumulated deficit	<u>(8,442,748)</u>	<u>(1,422,634)</u>
Total shareholders' equity	<u>16,721,238</u>	<u>34,460</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$ 17,301,045</u>	<u>\$ 145,532</u>

The accompanying notes are an integral part of these financial statements.

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF OPERATIONS

	<u>Year ended August 31, 2011</u>	<u>Year ended August 31, 2010</u>
OPERATING EXPENSES		
Exploration costs	\$ 1,291,570	\$ 126,929
General & administrative expenses	<u>5,754,983</u>	<u>424,987</u>
Total operating expenses	<u>7,046,553</u>	<u>551,916</u>
LOSS FROM OPERATIONS	<u>(7,046,553)</u>	<u>(551,916)</u>
OTHER (INCOME) EXPENSE		
Interest and other income	(27,705)	(1,031)
Interest expense	<u>1,266</u>	<u>7,495</u>
Total other (income) expense	<u>(26,439)</u>	<u>6,464</u>
NET LOSS	<u>\$ (7,020,114)</u>	<u>\$ (558,380)</u>
Net loss per share:		
Basic and diluted net loss per share	<u>\$ (0.25)</u>	<u>\$ (0.02)</u>
Weighted average shares outstanding:		
Basic and diluted	<u>27,869,787</u>	<u>23,433,144</u>

The accompanying notes are an integral part of these financial statements.

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2011

	<u>Preferred Stock</u>		<u>Common Stock</u>		<u>Additional</u>	<u>Accumulated</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>	<u>Paid-in</u>	<u>Deficit</u>	<u>Stockholder's</u>
					<u>Capital</u>		<u>Deficit</u>
Balance as of August 31, 2009	-	\$ -	22,655,260	\$ 226,553	\$ 467,291	\$ (864,254)	\$ (170,410)
Shares issued for cash proceeds	-	-	1,000,000	10,000	390,000	-	400,000
Units subscribed	-	-	-	-	55,000	-	55,000
Shares issued for services	-	-	15,000	150	13,350	-	13,500
Stock compensation, shares issued in October 2010	-	-	-	-	249,000	-	249,000
Shares owed for services	-	-	-	-	45,750	-	45,750
Net loss	-	-	-	-	-	(558,380)	(558,380)
Balance at August 31, 2010	-	\$ -	23,670,260	\$	\$ 1,220,391	\$ (1,422,634)	\$ 34,460
Shares issued for prior year compensation	-	-	361,000	3,610	(3,610)	-	-
Shares issued for cash	-	-	10,340,000	103,401	20,665,536	-	20,768,937
Shares issued for services	-	-	225,000	2,250	1,178,796	-	1,181,046
Common stock options issued to officers and directors	-	-	-	-	3,412,059	-	3,412,059
Cash paid for placement fees	-	-	-	-	(1,655,150)	-	(1,655,150)
Net loss	-	-	-	-	-	(7,020,114)	(7,020,114)
Balance as of August 31, 2011	-	\$ -	34,596,260	\$ 345,964	\$ 24,818,022	\$ (8,442,748)	\$ 16,721,238

TEXAS RARE EARTH RESOURCES CORP
STATEMENTS OF CASH FLOWS

	Year Ended August 31, 2011	Year Ended August 31, 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (7,020,114)	\$ (558,380)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation expense	19,996	3,977
Stock issued for services	1,181,046	59,250
Stock based compensation	3,412,059	249,000
Changes in current assets and liabilities:		
Prepaid expenses and other assets	(54,104)	-
Interest accrued on notes payable from related parties	1,398	7,494
Accounts payable and accrued expenses	559,184	8,168
Net cash used in operating activities	<u>(1,900,535)</u>	<u>(230,491)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in mineral properties	(98,817)	(44,539)
Purchase of fixed assets	<u>(210,957)</u>	<u>(30,536)</u>
Net cash used in investing activities	<u>(309,774)</u>	<u>(75,075)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from sale of common stock	19,113,787	455,000
Repayment of notes payable to related parties	<u>(91,846)</u>	<u>(75,000)</u>
Net cash provided by financing activities	<u>19,021,941</u>	<u>380,000</u>
NET CHANGE IN CASH	16,811,632	74,434
CASH, BEGINNING OF PERIOD	<u>74,434</u>	-
CASH, END OF PERIOD	<u>\$ 16,886,066</u>	<u>\$ 74,434</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 18,936</u>	<u>\$ -</u>
Taxes paid	<u>\$ -</u>	<u>\$ -</u>
Issuance of 131,250 shares of common stock for cash previously received	<u>\$ 1,313</u>	<u>\$ -</u>
Issuance of 61,000 shares of common stock for services previously recorded	<u>\$ 610</u>	<u>\$ -</u>
Issuance of 300,000 shares of common stock for director compensation previously recorded	<u>\$ 3,000</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

**TEXAS RARE EARTH RESOURCES CORP.
NOTES TO FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010**

NOTE 1 – ORGANIZATION AND NATURE OF BUSINESS

Texas Rare Earth Resources Corp (the “Company”) was incorporated in the State of Nevada in 1970. In July 2004, our articles of incorporation were amended and restated to increase the authorized capital to 25,000,000 common shares and, in April 2007, we effected a 1-for-2 reverse stock split. In September 2008, our articles of incorporation were further amended and restated to increase the authorized capital to 100,000,000 common shares with a par value of \$0.01 per share and to authorize 10,000,000 preferred shares with a par value of \$0.001 per share. The Company’s fiscal year-end is August 31.

Between 2003 and 2007, our operations were minimal. In 2007 we acquired (i) interests in two mineral properties, the Old Hadley and the Macho Mines, located in southwestern New Mexico, (ii) a 28.5% interest in La Cañada Mining and Exploration LLC (“La Cañada”), (iii) the King Mine located in Boise County, Idaho, and (iv) rights to lease the Round Top Beryllium Deposit (“Round Top Deposit”) located in Hudspeth County, Texas. In June 2008, the Old Hadley and Round Top Deposit mines were assigned to La Cañada in exchange for La Cañada’s commitment to finance and develop the assigned properties. In September 2008, La Cañada assigned these two mines back to the Company. In October 2009, the Company divested itself of any interest in La Cañada. In January 2009, the Company relinquished all of its rights to the King Mine.

Effective September 1, 2010, the Company changed its name from “Standard Silver Corporation” to “Texas Rare Earth Resources Corp.” We are now a mining company engaged in the business of the acquisition and development of mineral properties. As of the date of this filing, we hold a twenty year lease, executed in August 2010, to explore and develop an 860 acre rare earth uranium-beryllium prospect located in Hudspeth County, Texas known as “Round Top”, and prospecting permits covering an adjacent 9,670 acres. We also hold prospecting permits on certain other mineral properties located in Texas and New Mexico. We are currently not evaluating any additional prospects, and intend to focus the primarily on the development of our Round Top rare earth prospect.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES

Basis of Presentation

Our financial records are maintained on the accrual basis of accounting whereby revenues are recognized when earned and expenses are recorded when incurred, in accordance with generally accepted accounting principles (“GAAP”) – United States.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents consist of demand deposits at commercial banks. The Company current has cash deposits at financial institutions in excess of federally insured limits.

Property and Equipment

The Company’s property and equipment consists primarily of vehicles and are recorded at cost. Expenditures related to acquiring or extending the useful life of our property, plant and equipment are capitalized. Expenditures for repair and maintenance are charged to operations as incurred. Depreciation is computed using the straight-line method over an estimated useful life of 3-20 years.

Lease Deposits

From time to time, the Company makes deposits in anticipation of executing leases. The deposits are capitalized upon execution of the applicable agreements.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Long-lived Assets

The Company reviews the recoverability of long-lived assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable through operations. To determine if these costs are in excess of their recoverable amount, periodic evaluation of carrying value of capitalized costs and any related property and equipment costs are based upon expected future cash flows and/or estimated salvage value in accordance with ASC 360, *Property, Plant and Equipment*. We have not incurred any impairment losses and, therefore, no impairment is reflected in these financial statements.

Revenue Recognition

The Company recognizes revenue when persuasive evidence of an arrangement exists, services have been performed, the sales price is fixed or determinable, and collectability is probable. The Company has yet to generate revenue. The Company does not yet have any revenues.

Mineral Exploration and Development Costs

All exploration expenditures are expensed as incurred. Costs of acquisition and option costs of mineral rights are capitalized upon acquisition. Mine development costs incurred to develop new ore deposits, to expand the capacity of mines, or to develop mine areas substantially in advance of current production are also capitalized once proven and probable reserves exist and the property is determined to be a commercially mineable property. Costs incurred to maintain current production or to maintain assets on a standby basis are charged to operations. If the Company does not continue with exploration after the completion of the feasibility study, the mineral rights will be expensed at that time. Costs of abandoned projects are charged to mining costs including related property and equipment costs. To determine if these costs are in excess of their recoverable amount, periodic evaluation of carrying value of capitalized costs and any related property and equipment costs are based upon expected future cash flows and/or estimated salvage value in accordance with ASC 360-10-35-15, *Impairment or Disposal of Long-Lived Assets*. Exploration costs were \$1,291,570 and \$126,929 for the years ended August 31, 2011 and 2010, respectively.

Share-based Payments

The Company estimates the fair value of share-based compensation using the Black-Scholes valuation model, in accordance with the provisions of ASC 718, *Stock Compensation* and ASC 505, *Share-Based Payments*. Key inputs and assumptions used to estimate the fair value of stock options include the grant price of the award, the expected option term, volatility of the Company's stock, the risk-free rate, and dividend yield. Estimates of fair value are not intended to predict actual future events or the value ultimately realized by the option holders, and subsequent events are not indicative of the reasonableness of the original estimates of fair value made by the Company.

Stock Option Plan

In September 2008, the board of directors adopted our 2008 Stock Option Plan (the "2008 Plan"), which was also approved by our shareholders in September 2008. The 2008 Plan allows for the grant of up to 2,000,000 shares of our common stock for awards to our officers, directors, employees and consultants. The 2008 Plan provides for the grant of incentive stock options, nonqualified stock options, restricted stock, stock appreciation rights, and stock grant awards. The 2008 Plan also permits the grant of awards that qualify for the "performance-based compensation" exception to the \$1,000,000 limitation on the deduction of compensation imposed by Section 162(m) of the Code. In May 2011, the board of directors adopted an amendment to our 2008 Plan (the "Amended 2008 Plan"), which was also approved by our shareholders in August 2011. The Amended 2008 Plan increased the number of shares available for grant from 2,000,000 to up to 5,000,000 shares of our common stock for awards to our officers, directors, employees and consultants. Other provisions of the Amended 2008 Plan remain the same as under our original 2008 Plan. As of August 31, 2011, a total of 575,000 shares of our common stock remained available for future grants under the Amended 2008 Plan.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

Income Taxes

Income taxes are computed using the asset and liability method, in accordance with ASC 740, *Income Taxes*. Under the asset and liability method, deferred income tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities, and are measured using the currently enacted tax rates and laws. A valuation allowance is provided for the amount of deferred tax assets that, based on available evidence, are not expected to be realized.

Basic and Diluted Loss Per Share

The Company computes loss per share in accordance with ASC 260, *Earnings Per Share*, which requires presentation of both basic and diluted earnings per share on the face of the Statements of Operations. Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of outstanding common shares during the period. Diluted loss per share gives effect to all dilutive potential common shares outstanding during the period, including stock options and warrants using the treasury method. Dilutive loss per share excludes all potential common shares if their effect is anti-dilutive.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Management believes that these financial statements include all normal and recurring adjustments necessary for a fair presentation under Generally Accepted Accounting Principles.

Fair Value Measurements

We account for assets and liabilities measured at fair value in accordance with ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, ASC 820 establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified with Levels 1 and 2 of the hierarchy) and the reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). The three levels of inputs used to measure fair value are as follows:

- Level 1: Observable inputs that reflect unadjusted quoted prices for identical assets or liabilities traded in active markets.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs that are generally unobservable. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

Our financial instruments consist principally of cash, accounts payable and accrued liabilities. The carrying amounts of such financial instruments in the accompanying financial statements approximate their fair values due to their relatively short-term nature. It is management's opinion that the Company is not exposed to any significant currency or credit risks arising from these financial instruments.

NOTE 2 – SUMMARY OF ACCOUNTING POLICIES (Continued)

In January 2010, the FASB issued Accounting Standards Update 2010-06, *Fair Value Measurements and Disclosures (Topic 820)-Improving Disclosures about Fair Value Measurements*, which enhances the usefulness of fair value measurements. The amended guidance requires both the disaggregation of information in certain existing disclosures, as well as the inclusion of more robust disclosures about valuation techniques and inputs to recurring and nonrecurring fair value measurements. The amended guidance is effective for interim and annual reporting periods beginning after December 15, 2009, except for the disaggregation requirement for the reconciliation disclosure of Level 3 measurements, which is effective for fiscal years beginning after December 15, 2010 and for interim periods within those years. The Company adopted ASU 2010-06 effective December 31, 2009, and the adoption did not have a significant impact on the Company's financial statements.

Recent Accounting Pronouncements

Pronouncements between August 31, 2011 and the date of this filing are not expected to have a significant impact on the Company's operations, financial position, or cash flow, nor does the Company expect the adoption of recently issued, but not yet effective, accounting pronouncements to have a significant impact on the Company's results of operations, financial position or cash flows.

NOTE 3 – PROPERTY AND EQUIPMENT, NET

Property and equipment consist of office furniture, equipment and vehicles. The fixed assets are depreciated using the straight-line method over their estimated useful life of 3-20 years. Our fixed assets consist of the following:

	August 31, 2011	August 31, 2010
Furniture & office equipment	\$ 90,959	\$ 195
Vehicles	68,290	30,341
Software	31,792	-
Field equipment	50,451	-
Total cost basis	241,492	30,536
Less: Accumulated depreciation	(23,973)	(3,977)
Property and equipment, net	\$ 217,519	\$ 26,559

Depreciation expense for the years ending August 31, 2011 and 2010 was \$19,996 and \$3,977, respectively.

NOTE 4– RELATED PARTY TRANSACTIONS

The Company had historically received periodic cash advances from the Company's officers and relatives of the Company's officers to fund operations. The advances accrued interest at rates ranging from five percent (5%) to six percent (6%) per annum. In December 2010, the notes payable principal balance of \$91,846 plus accrued interest for these advances was paid in full.

NOTE 5 – MINERAL PROPERTIES

In August 2010, we entered into a mining lease with the Texas General Land Office covering Sections 7 and 18 of Township 7, Block 71 and Section 12 of Block 72, covering approximately 860 acres at Round Top Mountain in Hudspeth County, Texas. The mining lease issued by the Texas General Land Office gives us the right to explore, produce, develop, mine, extract, mill, remove, and market beryllium, uranium, rare earth elements, all other base and precious metals, industrial minerals and construction materials and all other minerals excluding oil, gas, coal, lignite, sulfur, salt, and potash. The term of the lease is twenty years so long as minerals are produced in paying quantities.

NOTE 5 – MINERAL PROPERTIES (Continued)

Under the lease, we will pay the State of Texas a lease bonus of \$197,800, \$35,000 of which was paid upon the execution of the lease, \$65,000 which was paid in April 2011 when we submitted our initial plan of operations to conduct exploration, and \$97,800 which will be due when we submit a supplemental plan of operations to conduct mining. Upon the sale of minerals removed from Round Top, we will pay the State of Texas a \$500,000 minimum advance royalty.

Thereafter, we will pay the State of Texas a production royalty equal to eight percent (8%) of the market value of uranium and other fissionable materials removed and sold from Round Top and six and one quarter percent (6 ¼%) of the market value of all other minerals removed and sold from Round Top.

In August 2011 we paid the State of Texas a delay rental of \$44,718. Thereafter, assuming production of paying quantities has not been obtained, we may pay additional delay rental fees to extend the term of the lease for successive one (1) year periods pursuant to the following schedule:

	Per Acre Amount	Total Amount
August 17, 2012 – 2014	\$ 50	\$ 44,718
August 17, 2015 – 2019	\$ 75	\$ 67,077
August 17, 2020 – 2024	\$ 150	\$ 134,155
August 17, 2025 – 2029	\$ 200	\$ 178,873

NOTE 6– INCOME TAXES

As of August 31, 2011 and 2010, the cumulative tax effect at the expected rate of 34%, respectively, of significant items comprising our net deferred tax amount is as follows:

	August 31, 2011	August 31, 2010
Net operating loss carry forward	\$ 1,625,000	\$ 381,000
Less: Valuation allowance	(1,625,000)	(381,000)
Deferred tax asset, net of allowance	\$ -	\$ -

As a result of a change in control effective in April 2007, the Company's net operating losses prior to that date may be partially or entirely unavailable, by law, to offset future income and, accordingly, are excluded from the associated deferred tax asset.

The provision for income taxes for the year ended August 31, 2011 differs from the result which would be obtained by applying the statutory income tax rate of 34% to income before income taxes because, (i) the Company has recorded a valuation allowance in the amount of the change in the deferred tax asset for each period, and (ii) the Company has \$3,412,000 of non-deductible stock compensation expense for the year ended August 31, 2011.

NOTE 6– INCOME TAXES (continued)

The table below presents a reconciliation of the tax at the prevailing statutory rate to the Company’s provision for taxes:

	Year ended August 31,	
	2011	2010
Net operating loss	\$ 2,386,000	\$ 190,000
Less: Non-deductible stock compensation	(1,160,000)	(85,000)
Change in valuation allowance	(1,226,000)	(105,000)
Tax provision	\$ -	\$ -

The Company’s net operating loss carry forwards expire beginning in 2022.

NOTE 7– SHAREHOLDERS’ EQUITY**Capital Stock**

The Company’s authorized capital stock consists of 100,000,000 shares of common stock, with a par value of \$0.01 per share, and 10,000,000 preferred shares with a par value of \$0.001 per share.

All shares of common stock have equal voting rights and, when validly issued and outstanding, are entitled to one non-cumulative vote per share in all matters to be voted upon by shareholders. The shares of common stock have no pre-emptive, subscription, conversion or redemption rights and may be issued only as fully paid and non-assessable shares. Holders of the common stock are entitled to equal ratable rights to dividends and distributions with respect to the common stock, as may be declared by the Board of Directors out of funds legally available. In the event of a liquidation, dissolution or winding up of the affairs of the Company, the holders of common stock are entitled to share ratably in all assets remaining available for distribution to them after payment or provision for all liabilities and any preferential liquidation rights of any preferred stock then outstanding.

The Company received cash proceeds from the sale of its common stock and the exercise of Class A Warrants and Class B Warrants to purchase common stock during the years ended August 31, 2011 and 2010 as follows:

Description	Shares of Common Stock Issued	Cash Proceeds Received
2009-2010 Private Placement (issuances occurred in quarter ended November 30, 2010) (1)	1,132,500	\$453,000
Exercise of Class A & B Warrants issued in connection with 2009 – 2010 Private Placement (1)	1,236,250	715,937
January 2011 Private Placement (issuance occurred in quarter ended February 28, 2011) (2)	1,600,000	4,000,000
Exercise of options issued in January 2011 Private Placement	6,240,000	15,600,000
Net offering costs	-	(1,655,150)
Total shares of common stock issued and net cash proceeds received from sale of common stock and from the exercise of Warrants during the twelve months(3)	10,208,750	\$19,113,787

(1) See “2009-2010 Private Placement” below.

(2) See “January 2011 Private Placement” below.

(3) Does not include shares of common stock issued for services rendered during the twelve months ended August 31, 2011. See “Other Equity Issues” below.

NOTE 7 – SHAREHOLDERS’ EQUITY (Continued)

2009 – 2010 Private Placement

Between October 2009 and November 2010, the Company raised cash proceeds of \$905,500 through the issuance of 2,263,750 shares of common stock and the issuance of Class A Warrants to purchase 2,263,750 shares of common stock and Class B Warrants to purchase 1,131,875 shares of common stock. Of the \$905,500 cash proceeds raised for this private placement, \$452,500 was raised prior to September 1, 2010 and \$453,000, representing the sale of 1,132,500 shares of common stock, was raised in September through November 2010. The final closing of this private placement was January 10, 2011.

During the year ended August 2011, the Company issued 131,250 shares to two investors in connection with our 2009 – 2010 Private Placement that were paid for in a prior period.

During the year ended August 2011, Class A Warrants to purchase 845,000 shares of the Company’s common stock and Class B warrants to purchase 391,250 shares of the Company’s common stock were exercised, resulting in \$422,500 of proceeds being raised by the Company for the Class A warrants and \$293,437 of proceeds being raised by the Company for the Class B Warrants. Total proceeds to the Company as a result of the Class A and Class B Warrant exercise was \$715,937.

January 2011 Private Placement

Between January and February 2011, we entered into a series of transactions with accredited investors pursuant to which we sold an aggregate of 1,600,000 shares of our common stock and five year warrants to purchase up to 1,600,000 shares of common stock, exercisable at \$2.50 per share, for gross proceeds of \$4,000,000. The Company has determined these warrants to have an approximate relative fair value of \$4,640,000. The Company paid cash commissions of \$318,000 and issued five year warrants to purchase up to 305,000 shares of its common stock at an exercise price of \$2.50 per share in connection with the sale of its securities in the January 2011 Private Placement. The Company has determined these warrants to have an approximate fair value of \$887,000. The Black-Scholes pricing model was used to estimate the fair value of the 1,600,000 and 305,000 warrants issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 404%, and an expected life of 5 years. The Company paid \$65,150 in legal fees associated with the issuance of the shares associated with the January 2011 Private Placement.

In May and June 2011, certain investors participating in the January 2011 Private Placement exercised their options to purchase 6,240,000 shares of common stock resulting in gross proceeds to the Company in the amount of \$15,600,000. These investors were also issued five-year warrants to purchase up to 6,240,000 shares of common stock, exercisable at \$2.50 per share. The Company has determined these warrants to have an approximate relative fair value of \$7,800,000. The Company paid a sales commission of \$1,337,150 in cash and issued a five-year warrant to purchase up to 1,192,000 shares of common stock at an exercise price of \$2.50 per share in connection with the exercise of these placement warrants. The Company has determined these warrants to have an approximate fair value of \$2,980,000. The Black-Scholes pricing model was used to estimate the fair value of the 6,240,000 and 1,192,000 warrants issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 380%, and an expected life of 5 years.

Other Equity Issues

On June 27, 2011, the Company’s registration statement registering the resale of 8,908,125 shares of its common stock, which consists of (i) 4,738,750 shares of common stock, (ii) an aggregate of 1,336,250 shares of common stock issuable upon exercise of Class A Warrants, (iii) an aggregate of 678,125 shares of common stock issuable upon exercise of Class B Warrants, (iv) an aggregate of 250,000 shares of common stock issuable upon the exercise of options exercisable at \$5.00 per share, and (v) 1,905,000 shares of common stock issuable upon the exercise of warrants exercisable at \$2.50 per share issued in the January 2011 private placement, was deemed effective by the SEC.

NOTE 7 – SHAREHOLDERS’ EQUITY (Continued)

In September 2010, the Company issued 300,000 common shares to a director for compensation recorded in the prior year at a fair value on the date of grant of \$249,000.

During the quarter ended November 30, 2010, the Company issued 61,000 shares of common stock to two external consultants as payment for services performed in a prior period.

In November 2010, the Company entered into a non-exclusive investment banking agreement with Sunrise Securities Corp. (“Sunrise”) pursuant to which it agreed to pay a sales commission with respect to certain financings effected, or alternative transactions entered into, by the Company through introductions by Sunrise. The Company agreed to pay Sunrise a monthly fee of 5,000 shares of restricted common stock beginning in November 2010. The Company has issued 50,000 shares totaling \$96,150 of expense for the year ended August 31, 2011 related to this fee.

In November 2010, the Company also entered into a 24 month institutional public relations retainer agreement with Sunrise Financial Group, Inc., (“SFG”), an affiliate of Sunrise, pursuant to which it agreed to issue SFG five-year options to purchase 250,000 shares at \$1.60 per share and 250,000 shares at \$5.00 per share, with certain demand registration rights. The Black-Scholes pricing model was used to estimate the fair value of the 500,000 options, assuming a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 425%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$960,000, which was recognized as an immediate expense during the nine months ended May 31, 2011 in accordance with FASB ASC 505-50-25.

In January 2011, we entered into a finders agreement with Aspenwood Capital (“Aspenwood”) under which Aspenwood would introduce potential investors to the Company. The Company agreed to pay up to a 10% cash fee and to issue a five year warrant to purchase up to 10% of the number of shares sold to investors introduced to the Company by Aspenwood at an exercise price equal to 100% of the equity purchase price. The warrant may be exercised on a cashless basis at any time subsequent to August 31, 2011 in the event the Company does not maintain an effective registration statement on file with the SEC. The Company has paid \$25,000 under this agreement.

In May 2011, the Company entered into an agreement with an investor relations firm that the Company subsequently terminated in July 2011. In connection with the agreement, the investor relations firm had received \$15,575 cash and a warrant to purchase 200,000 shares of the Company’s common stock at an exercise price of \$3.75 per share vesting over twelve months. Upon termination of the agreement, the investor relations firm agreed to accept a vested warrant to purchase only 33,334 shares of the Company’s common stock at an exercise price of \$3.75 per share and no future cash payments. The remaining 166,666 warrants were cancelled in conjunction with the termination of the agreement. The Black-Scholes pricing model was used to estimate the fair value of the 33,334 options, assuming a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 385%, and an expected life of 90 days. The Company has determined these options to have an approximate fair value of \$125,000, which was recognized as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 505-50-25.

In June 2011, Sunrise Financial Group exercised a warrant to purchase 250,000 shares on a cashless basis resulting in the issuance of 175,000 shares of common stock.

Amended 2008 Stock Option Plan issuances

In February 2011, the Company entered into a Director’s agreement with General Gregory Martin pursuant to which the Company issued to General Martin 5-year options to purchase 60,000 shares of the Company’s common stock at \$2.50 per share as compensation for serving as a member of the Company’s board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 60,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 421%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$150,000. General Martin’s award immediately vests on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

NOTE 7 – SHAREHOLDERS' EQUITY (Continued)

In March 2011, the Company granted to Wm Chris Mathers, its chief financial officer, as a part of his employment arrangement, a five year option to purchase up to 400,000 shares of our common stock at an exercise price of \$2.50 per share. These options vest 1/36 each month provided he is employed by the Company on the vesting dates. The Black-Scholes pricing model was used to estimate the fair value of the 400,000 options issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 376%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$1,000,000. Since Mr. Mathers' award vests over a 36 month period, the Company is expensing approximately \$28,000 monthly for this award over the 36 month vesting period in accordance with FASB ASC 718.

In March 2011, the Company entered into a Director's agreement with Graham Karklin pursuant to which the Company issued to Mr. Karklin a 5-year option to purchase 60,000 shares of the Company's common stock at \$2.50 per share as compensation for serving as a member of the Company's board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 60,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 325%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$150,000. Mr. Karklin's award immediately vests on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

In March 2011, the Company issued Anthony Marchese a 5-year option to purchase 150,000 shares of the Company's common stock at \$2.50 per share as compensation for serving as a member of the Company's board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 150,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 323%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$375,000. Mr. Marchese's award immediately vests on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

In April 2011, the Company issued Cecil Wall a 5-year option to purchase 90,000 shares of the Company's common stock at \$4.70 per share as compensation for serving as a member of the Company's board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 90,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 325%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$423,000. The Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

In April 2011, the Company entered into a Director's agreement with Jim Graham pursuant to which the Company issued to Mr. Graham a 5-year option to purchase 60,000 shares of the Company's common stock at \$4.00 per share as compensation for serving as a member of the Company's board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 60,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 322%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$240,000. Mr. Graham's award immediately vests on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

NOTE 7 – SHAREHOLDERS’ EQUITY (Continued)

In May 2011, the Company issued Anthony Marchese a 5-year option to purchase 175,000 shares of the Company’s common stock at \$4.15 per share as compensation for his appointment as non-executive Chairman of the Company’s board of directors. The Black-Scholes pricing model was used to estimate the fair value of the 175,000 options issued during the period to this director, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 324%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$726,000. Mr. Marchese’s award immediately vests on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

In May 2011, the Company granted to K. Marc LeVier, its chief executive officer, as a part of his employment arrangement, a five year option to purchase up to 2,500,000 shares of our common stock at an exercise price of \$2.50 per share. These options vest 1/36 each month provided he is employed by the Company on the vesting dates. The Black-Scholes pricing model was used to estimate the fair value of the 2,500,000 options issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 376%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$6,250,000. Since Mr. LeVier’s award vests over a 36 month period, the Company is expensing approximately \$174,000 monthly for this award over the 36 month vesting period in accordance with FASB ASC 718.

In July 2011, the Company issued 3.5 year options to purchase a total of 180,000 shares of the Company’s common stock at \$2.60 per share as compensation to four independent directors for their service on select committees of the Board of Directors. The Black-Scholes pricing model was used to estimate the fair value of the 180,000 options issued during the period to these directors, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 372%, and an expected life of 3.5 years. The Company has determined these options to have an approximate fair value of \$468,000. These awards immediately vest on the grant date and were awarded for services as a nonemployee director acting in his role as a member of the board of directors. Therefore, the Company has recorded the entire amount of this award on the grant date as an immediate expense for the year ended August 31, 2011 in accordance with FASB ASC 718.

On August 19, 2011, the Company granted to Anthony Garcia, its Senior Vice-President of Development, as a part of his employment arrangement, a five year option to purchase up to 750,000 shares of our common stock at an exercise price of \$1.85 per share. These options vest 1/36 each month provided he is employed by the Company on the vesting dates. The Black-Scholes pricing model was used to estimate the fair value of the 750,000 options issued during the period, using the assumptions of a risk free interest rate of 1.1%, dividend yield of 0%, volatility of 361%, and an expected life of 5 years. The Company has determined these options to have an approximate fair value of \$1,387,000. Since Mr. Garcia’s award vests over a 36 month period, the Company is expensing approximately \$38,500 monthly, beginning in September 2011, for this award over the 36 month vesting period in accordance with FASB ASC 718.

Warrants

The fair value of the warrants issued with our 2009 – 2010 Private Placement was estimated at the date of issue using the Black-Scholes valuation model, and the relative fair value of the Class A Warrants, Class B Warrants, and shares of common stock issued during the twelve months ended August 31, 2010 as part of the units was \$0.82, \$0.84, and \$0.85, respectively. The Company recorded the relative fair value of the warrants of \$269,978 as additional paid-in capital (“APIC”).

The assumptions used are as follows:

	August 31, 2010	August 31, 2009
Expected dividend yield	0%	N/A
Risk-free interest rate	0.340%-0.815%	N/A
Expected volatility	387.97%-406.46%	N/A
Expected warrant life (in years)	1.00-1.50	N/A

NOTE 7 – SHAREHOLDERS’ EQUITY (Continued)

The following Class A Warrants are outstanding:

Expiry Date	Exercise Price	August 31, 2011	August 31, 2010
December 31, 2011	\$ 0.50	1,418,750	2,263,750

The following Class B Warrants are outstanding:

Expiry Date	Exercise Price	August 31, 2010	August 31, 2010
December 31, 2011	\$ 0.75	740,625	1,131,875

The fair value of the 1,600,000 warrants issued in January 2011 with our 2011 Private Placement was estimated at the date of issue using the Black-Scholes valuation model. The Company recorded the relative fair value of the warrants of \$4,640,000 as APIC.

The assumptions used are as follows:

	August 31, 2011	August 31, 2010
Expected dividend yield	0%	N/A
Risk-free interest rate	1.1%	N/A
Expected volatility	404%	N/A
Expected warrant life (in years)	5.00	N/A

The following January 2011 Warrants are outstanding:

Expiry Date	Exercise Price	August 31, 2011	August 31, 2010
January 31, 2016	\$ 2.50	1,600,000	N/A

The fair value of the 6,240,000 Option Warrants issued in May and June with our 2011 Private Placement was estimated at the date of issue using the Black-Scholes valuation model. The Company recorded the relative fair value of the warrants of \$7,800,000 as APIC.

The assumptions used are as follows:

	August 31, 2011	August 31, 2010
Expected dividend yield	0%	N/A
Risk-free interest rate	1.1%	N/A
Expected volatility	380%	N/A
Expected warrant life (in years)	5.00	N/A

The following January 2011 Option Warrants are outstanding:

Expiry Date	Exercise Price	August 31, 2011	August 31, 2010
June 30, 2016	\$ 2.50	6,240,000	N/A

NOTE 8– SUBSEQUENT EVENTS

In September and October of 2011 we issued Sunrise Securities Group the final 10,000 shares of our restricted common stock as required under the non-exclusive investment banking agreement.

In September 2011, Class A Warrants to purchase 16,250 of the Company’s common stock were exercised by an investor, resulting in \$8,125 of proceeds being raised by the Company.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

At the end of the period covered by this Annual Report on Form 10-K for the fiscal year ended August 31, 2011, an evaluation was carried out under the supervision of and with the participation of our management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operations of our disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this Annual Report, our disclosure controls and procedures were effective in ensuring that: (i) information required to be disclosed by us in reports that we file or submit to the SEC under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) and Rule 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, our principal executive and principal financial officers and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detections of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Our management assessed the effectiveness of our internal control over financial reporting as of August 31, 2011. In making this assessment, our management used the criteria set forth in the Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we have concluded that, as of August 31, 2011, our internal controls over financial reporting were effective based on those criteria.

Attestation Report of the Registered Public Accounting Firm

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to Section 404(c) of the Sarbanes-Oxley Act of 2002, as amended, which provides that issuers that are not an "accelerated filer" or "large accelerated filer" are exempt from the requirement to provide an auditor attestation report.

Changes to Internal Control over Financial Reporting

There have been changes in our internal control over financial reporting during the year ended August 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Our internal controls over financial reporting have been modified during our most recent fiscal year by adding a Chief Financial Officer and additional contract accounting personnel in the financial closing, review and analysis process.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be included under the section entitled “Information on the Board of Directors and Executive Officers” in our definitive proxy statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A in connection with the 2011 annual meeting of shareholders (the “Proxy Statement”), which information is incorporated by reference to this Annual Report on Form 10-K.

The Company's Code of Business and Ethical Conduct can be found on the Company's internet website located at *www.trer.com* under the heading "Corporate". Any stockholder may request a printed copy of such materials by submitting a written request to the Company's Corporate Secretary. If the Company amends the Code of Business and Ethical Conduct or grants a waiver, including an implicit waiver, from the Code of Business and Ethical Conduct, the Company will disclose the information on its internet website. The waiver information will remain on the website for at least twelve months after the initial disclosure of such waiver.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included under the section entitled “Executive Compensation” in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, which information is incorporated by reference to this Annual Report on Form 10-K.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this Item will be included under the section entitled “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, which information is incorporated by reference to this Annual Report on Form 10-K.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by this Item will be included under the section entitled “Certain Relationships and Related Transactions” and “Corporate Governance Matters” in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, which information is incorporated by reference to this Annual Report on Form 10-K.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this Item will be included under the section entitled “Principal Accountant Fees and Services” in the Proxy Statement to be filed with the Securities and Exchange Commission pursuant to Regulation 14A, which information is incorporated by reference to this Annual Report on Form 10-K.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

Documents filed as part of this Annual Report on Form 10-K or incorporated by reference:

- (1) The consolidated financial statements are listed on the “Index to Financial Statements” in Item 8.
- (2) Financial Statement Schedules (omitted because the Company is a smaller reporting issuer).

The following exhibits are attached hereto or are incorporated by reference:

Exhibit No.	Description
3.1	Amended and Restated Bylaws, incorporated by reference to Exhibit 3.1 of the Company’s Form 10 with the SEC on October 30, 2008.
3.2	Amended and Restated Articles of Incorporation, incorporated by reference to Exhibit 3.2 of the Company’s Form 10 with the SEC on October 30, 2008.
3.3	Amendment to Articles of Incorporation, incorporated by reference to Exhibit 3.3(i) of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
4.1	Form of Common Stock Certificate, incorporated by reference to Exhibit 4.1 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.1	Amended and Restated 2008 Stock Option Plan, incorporated by reference to Exhibit 10.1 of the Company’s Form 10-Q for the period ended May 31, 2011 filed with the SEC on July 15, 2011.
10.2	Lease, incorporated by reference to Exhibit 10.2 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.3	Form of Class A Warrant, incorporated by reference to Exhibit 10.3 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.4	Form of Class B Warrant, incorporated by reference to Exhibit 10.4 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.5	Form of Registration Rights Agreement, incorporated by reference to Exhibit 10.5 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.6	Director’s Agreement by and between the Company and Anthony Marchese, incorporated by reference to Exhibit 10.6 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.7	Form of Subscription Agreement for January 2011 Investment, incorporated by reference to Exhibit 10.7 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.8	Form of Warrant for January 2011 Investment, incorporated by reference to Exhibit 10.8 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.9	Form of Registration Rights Agreement for January 2011 Investment, incorporated by reference to Exhibit 10.9 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.10	Shareholders’ Agreement, incorporated by reference to Exhibit 10.10 of the Company’s Form 10-K for the period ended August 31, 2009 filed with the SEC on February 8, 2011.
10.11	Director’s Agreement by and between the Company and General Gregory Martin, incorporated by reference to Exhibit 10.1 of the Company’s Form 8-K filed with the SEC on February 23, 2011.
10.12	Director’s Agreement by and between the Company and Graham A. Karklin incorporated by reference to Exhibit 10.12 of the Company’s Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011.

- 10.13 Investment Banking Agreement by and between the Company and Sunrise Securities Corp. incorporated by reference to Exhibit 10.13 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.15 Institutional Public Relations Retainer Agreement by and between the Company and Sunrise Financial Group, Inc. incorporated by reference to Exhibit 10.15 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.16 Summary of Dan Gorski Employment Arrangement incorporated by reference to Exhibit 10.16 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.17 Summary of Wm. Chris Mathers Employment Arrangement incorporated by reference to Exhibit 10.17 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.18 Summary of Stanley Korzeb Employment Arrangement incorporated by reference to Exhibit 10.18 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.19 Employment Agreement by and between the Company and Marc LeVier, incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on May 9, 2011.
- 10.20 Director's Agreement by and between the Company and Jim Graham, incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on May 9, 2011.
- 10.21 Option Agreement for Wm. Chris Mathers incorporated by reference to Exhibit 10.21 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.22 Form of Directors Option Agreement incorporated by reference to Exhibit 10.22 of the Company's Amendment No. 2 to its Registration Statement on Form S-1 (333-172116) filed with the SEC on May 25, 2011
- 10.23 Form of Registration Rights Agreement for May/June option exercises, incorporated by reference to Exhibit 10.12 of the Company's Form 10-Q for the period ended May 31, 2011 filed with the SEC on July 15, 2011
- 10.24 Denver Colorado Facilities Lease, incorporated by reference to Exhibit 10.13 of the Company's Form 10-Q for the period ended May 31, 2011 filed with the SEC on July 15, 2011
- 31.1(1) Certification of the Chief Executive Officer pursuant to Rule 13a-14 of the Exchange Act
- 31.2(1) Certification of the Chief Financial Officer pursuant to Rule 13a-14 of the Exchange Act
- 32.1(1) Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2(1) Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Filed herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEXAS RARE EARTH RESOURCES CORP.

/s/ K. Marc LeVier
K. Marc LeVier, duly authorized officer
and Principal Executive Officer

DATED: November 22, 2011

/s/ Wm. Chris Mathers
Wm. Chris Mathers, Principal Financial Officer

DATED: November 22, 2011

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Capacity	Date
/s/ K. Marc LeVier K. Marc LeVier	Chief Executive Officer, Principal Executive Officer and Director	November 22, 2011
/s/ Wm. Chris Mathers Wm. Chris Mathers	Chief Financial Officer and Principal Financial Officer	November 22, 2011
/s/ Anthony Marchese Anthony Marchese	Chairman of the Board	November 22, 2011
/s/ Daniel E. Gorski Daniel E. Gorski	Director	November 22, 2011
/s/ General Gregory Martin Gregory Martin	Director	November 22, 2011
/s/ James J. Graham Jim Graham	Director	November 22, 2011
/s/ Graham A. Karklin Graham Karklin	Director	November 22, 2011

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SHAREHOLDER AND CORPORATE INFORMATION

Stock Exchange Listing

OTCQB: TRER

2011 Annual Meeting

The 2011 Annual Meeting of Shareholders will be held on Wednesday, February 15, 2012 at 10:00 AM Mountain Time, at the

**Denver Marriott South, Salon A
10345 Park Meadows Drive
Littleton, Colorado 80124**

Transfer Agent and Registrar

For services such as change of address, replacement of lost certificates, changes in registered ownership, or for inquiries about your account, contact:

**Securities Transfer Corporation
2591 Dallas Parkway Suite 102
Frisco, Texas 75034
Phone: 469-633-0101
Fax: 469-633-0088
Website: www.stctransfer.com**

Investor Relations

Investors, stockbrokers, security analysts and others seeking information about the Company should contact:

**Nadine Wakely
Director, Investor Relations
Phone: (303) 597-8737
Email: nwakely@trer.com**

Independent Registered Public Accounting Firm

**LBB & Associates Ltd, LLP
Houston, Texas**

Corporate Counsel

**Dorsey & Whitney LLP
Denver, Colorado**

Additional information about the Company is available on its website at: <http://trer.com>

ADDITIONAL INFORMATION

The Company's 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission is fully reproduced in this Annual Report to Shareholders. **You may obtain additional copies of the Annual Report on Form 10-K, including the financial statements and schedules but without exhibits, by writing to the Company at 304 Inverness Way South, Suite 365, Englewood, Colorado 80112 or by email at nwakely@trer.com.** The Company will provide these documents free of charge to shareholders of the Company. If requested, the Company will provide copies of the exhibits for a reasonable fee. The Company may require the payment of a reasonable charge from any person or corporation who is not a shareholder of the Company and who requests a copy of any such documents. Financial information relating to the Company is provided in the Company's comparative financial statements and management's discussion and analysis for its most recently completed financial year. Additional information relating to the Company is available electronically on SEDAR at www.sedar.com and on EDGAR at www.sec.gov/edgar.shtml.



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Texas Rare Earth Resources Corp.

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